

# DAILY REPORT

*China*

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FOREIGN MINISTRY URGES IRAN-IRAQ CEASE-FIRE

OW140754 Beijing XINHUA in English 0745 GMT 14 Feb 86

[Text] Beijing, February 14 (XINHUA) -- A Chinese Foreign Ministry spokesman today called on Iran and Iraq to effect an immediate ceasefire and settle their differences and disputes through peaceful consultations.

He said in a statement: "Recently there has been a further escalation of the war between Iran and Iraq, which has caused great losses of life and property to the peoples of these two countries and posed a serious threat to peace and stability in the Gulf region. We are deeply disturbed and concerned about this. We therefore call on both Iran and Iraq to exercise restraint, effect an immediate ceasefire and settle their differences and disputes through peaceful consultations under terms acceptable to both sides." The Chinese Government reiterates that it supports the international community and various parties concerned in their mediation efforts and various initiatives to bring about an early end to the war between Iran and Iraq, the statement noted.

LIAOWANG ON TRENDS IN INTERNATIONAL SITUATION

HK130213 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 5, 3 Feb 86 pp 23-24

[Article by Peng Di: "The Trend of Readjustment in the 1980's"]

[Text] The wind of readjustment sweeping Asia in the East and Europe and America in the West is a characteristic of the world situation in the first half of the 1980's. With the changed domestic and world situation, quite a few countries have successively readjusted their own domestic policies and relations with other countries to varying degrees. The trend of these readjustments has an important impact on the development of the situation in the second half of the 1980's.

Let us start with the United States. After experiencing the Vietnam war and the Watergate incident, the United States, where public sentiment ran low, was confronted with new challenges abroad. As far as the United States is concerned, military and geopolitical confrontation comes from the Soviet Union, economic and trade competition comes from Japan and Western Europe, and the struggle against power politics and for a change in the economic order comes from the Third World. A feeling of a big power suffering setbacks and the present being inferior to the past dominated the United States and also led some people to remember past times.

With the country entering the 1980's, protectionism and flaunting the banner of augmenting national strength to restore national prestige has gained ground in the United States. Politically, it has stressed taking one's ideological approach as the dividing line and has a strong anticommunist mentality. Economically, it has supported enterprises in their development and boosts market supply through tax-reduction policies. Financially, it has put inflation under control by raising interest rates, cutting down public welfare expenses, and curtailing outlay and, at the same time, maintained its unprecedentedly huge military spending on the basis of continued high deficits. In foreign relations, it has pursued an escalated hardline policy, thus further straining its relations with the Soviet Union, China, Western Europe, Latin America, and the Middle East for a time.

These policy readjustments have played a stimulative role domestically but are incompatible with the present needs in its relations with other countries. They are neither helpful in solving complicated international problems nor for the long-term interests of the United States. They have met no small resistance at home and abroad.



Therefore, people can see that the U.S. conservative stance in foreign relations has been somewhat scaled down. It has readjusted its policy toward China, thus avoiding a crisis. Although barriers to solving the Taiwan issue erected by the United States remain, generally speaking, significant progress has been made in Sino-U.S. relations.

U.S. policy toward Latin America and the Middle East is very unclear and shifts from time to time. On the one hand, the United States has done a lot of unpopular things, including launching military attacks on Grenada, imposing subversive threats against Nicaragua, and conniving at and supporting Israel in its military expansion and savage acts of aggression. But it has also continued to take the initiative to some extent in exploring ways to alleviate contradictions through political means. One most important principle to be followed in resolving regional problems must be to respect the independence, sovereign rights, and territorial integrity of various countries, including the national rights of the Palestinian people and the right of peoples in various Latin American countries to choose their own political system. This is where the key to the question lies. Whether or not the United States can readjust its related policies in this direction remains to be seen.

The most important U.S. topic in its relations with other countries is how to deal with the Soviet Union. Following the U.S.-Soviet November summit at the end of 1985, U.S.-Soviet relations turned from a war of words into a dialogue between the top leaders of the two countries. Bilateral relations have improved considerably and an easing has appeared in their relations to a certain degree. Although no significant progress has been made in such key problems as the arms race and contention for control of some regions in the world, both sides expressed their willingness to continue the momentum of dialogues at all levels, and at the higher level as well, to explore the possibilities for a compromise. This indicates that both the United States and the Soviet Union are attempting to readjust their own policies. U.S.-Soviet confrontation has lasted for quite some time. Evidently, their icy relations cannot completely be improved just because of several rounds of relaxed conversations. Nevertheless, if there are no incidents and if both sides continue their efforts to explore ways of readjusting their relations, a relatively stable situation may emerge in the second half of the 1980's although basic contradictions continue to exist.

There are also indications that policy readjustments are being carried out in the Soviet Union. Top Soviet leaders have passed away one after another, and the leadership changed hands three times within 2 years. Following the personnel changes, which were imperative, the problem of continuing or renewing existing policies also emerged. In 1982 Yuriy Andropov negated Leonid Brezhnev's thesis that the Soviet Union had built "developed socialism" and pointed out that the Soviet Union was just at "the starting point of the long historical stage of developed socialism." Therefore, some appropriate readjustments should be made in the Soviet Union's existing economic structure and policies. Mikhail Gorbachev has further viewed economic structural reform as one of the priorities in the country's work and made proposals for planning work, the management structure, the price system, and the methods of distribution, and for revising the Soviet Constitution. All in all, all kinds of information coming from Moscow indicates that the Soviet leaders do not deem the hard and fast policy as the best one.

In foreign policy, the Soviet Union has never been ready to admit shortcomings or mistakes. However, the spectator sees most clearly the right and wrong, the success and failure of their foreign policy. It is hard to imagine that there is no need to make a reappraisal of its foreign policy. So far people have seen no substantial change in this regard.

However, the Soviet Union has taken some steps to readjust its approach toward some issues, including its policy toward the United States and increasing the number of bilateral exchanges and political talks with China. The overbearing attitude it took toward numerous Third World countries during the 1970's and the early 1980's has been modified considerably, but judging from "hot spots" such as Afghanistan and Cambodia, any significant change in its attitude toward the issue is still far from reality.

China has clearly declared that it will conduct major readjustments and reforms in its domestic and foreign policies. It has made thorough and open self-criticism of policy errors committed during the "Great Cultural Revolution" and summed up the experiences, both positive and negative, since the founding of the PRC. At the end of 1978, China entered a new stage of bold and steady reform and made marked achievements in the first 5 years of the 1980's. It has pursued a policy of opening up to the outside world and invigorating the domestic economy, and simultaneously grasped the building of material and spiritual civilizations, thus opening up a road of socialist construction with Chinese characteristics.

China has also readjusted the priorities in its foreign policy in light of the developed situation. It has a clear-headed appraisal of the danger of a world war and is more confident in the growth of the forces for peace and of safeguarding the cause of peace. China has declared in unequivocal terms that it will firmly pursue an independent and peaceful foreign policy and not form any alliances with other countries. It is playing its unique role in safeguarding peace, opposing hegemonism, and promoting development. The tremendous changes taking place in China, the biggest Third World country, are winning a positive response from the world community.

West and East European countries, which belong to two military blocs, have been pursuing a more independent policy and thus they have a greater role to play. Quite a number of countries in the Asia-Pacific Region, the Middle East, and Latin America are also readjusting their own policies, partly in consideration of their domestic needs and partly as the result of a chain reaction. The situation is continuously changing and every country needs to readjust its policies, to adapt itself to the new situation. This is normal. Policy readjustments in some countries are carried out willingly but, on many occasions, policy readjustments are the result of the pressure of a situation.

If the forces for peace were not growing day by day and if the outcome of a nuclear war was not mutual destruction and global calamity, it would not be easy for the United States and the Soviet Union to sit down and readjust their relations, to avoid a head-on clash.

If the Third World does not adhere to independence, oppose bullying and humiliation by foreign countries, and demand fair treatment, the power politics characterized by strong, big nations bullying weak, small ones will not give way automatically.

Changes in the world economic situation such as intensified market competition, restoration of trade protectionism, and increased difficulties in economic development may serve as the objective conditions for many countries to seek a new solution through readjusting their domestic policies and their relations with the rest of the world. The continued development of science and technology has stimulated many countries to readjust their economic structures and strive to subsist in the course of a new technological revolution.

In other words, policy readjustments sooner or later become unavoidable. The problem is that, more often than not, people's understanding lags behind the development of the situation. Particularly, political short-sightedness, vested interests, and force of habit very often limit people's outlook and action. Commonly, that which needs readjustment is not readjusted. If the principle of contending for superiority on the basis of strength is not changed, it will be difficult to reach any agreement on arms control. If power politics is not discarded, equal and friendly relations between states cannot be achieved. If policies already not in keeping with present needs are not substantially readjusted, any state will find it hard to adapt itself to the changes of the times.

The trend of readjustment emerging in the 1980's seems to be anything but an accidental phenomenon. True, whether the readjustments carried out in some countries are false or true and are an act taken from a long-term point of view or an expedient measure, or whether they are carried out thoroughly or superficially remains to be tested by practice. However, the emergence of the trend of readjustment is better than a pool of stagnant water.

When entering the 1980's, people had both worries and hopes about the prospects for world peace and development. If the ongoing trend of readjustment can really keep abreast of the changed conditions of the times and continue to develop in line with the people's aspirations, world peace and development in the mid-1980's will be increasingly full of promise although people's worries about them continue to exist. Even if a force going against the tide of the times emerges, it will suffer disastrous defeat sooner or later.

#### SATELLITE LAUNCH ROCKETS FOR WORLD MARKET

OW131046 Beijing XINHUA in English 1031 GMT 13 Feb 86

[Text] United Nations, February 12 (XINHUA) -- China is willing to make two types of her satellite launch vehicles available on world market as her contribution to international space cooperation for peaceful purposes, a Chinese official declared here today. Shi Jicheng, Chinese delegate to the U.N. Committee on the Peaceful Uses of Outer Space, made the announcement at the 23rd session of its scientific and technical subcommittee. The two types of rockets to be available to other countries are "CZ-2" and "CZ-3".

In a lengthy review of China's space-related activities, Shi said so far China has successfully launched a total of 18 satellites, of which seven are recoverable ones launched by "CZ-2" rockets, and two are geostationary put into orbit by "CZ-3". These successful launchings have not only created "propitious conditions for China's own development of space science and technology," but also suggested her ability "to provide launching services to other countries," Shi stated. Meanwhile, Shi went on, China has made good progress in space science cooperation or exchange with many other countries, which include the United States, France, Federal Germany, Italy, Britain, Canada, Brazil, Thailand and India. China has also engaged in multi-lateral space-related activities, Shi recalled. Last year she sponsored an Asian regional seminar on remote sensing in April, and hosted a U.N. workshop on space science applications in October.



ENVOY TO U.S. SAYS TIES 'DEVELOPING STEADILY'

OW141048 Beijing XINHUA in English 1034 GMT 14 Feb 86

[Text] New York, February 13 (XINHUA) -- Chinese Ambassador to the United States Han Xu said this evening that Sino-U.S. relations were developing steadily and more progress has been made in various fields in recent years. Han addressed a conference on international strategic affairs at Columbia University in New York. About 250 people attended the opening session, which was called "China in Transition."

Last year, Han told the conference, the two countries signed four agreements for co-operation on peaceful uses of nuclear energy, culture, education and fishing. U.S. direct investments in China totaled more than 1.5 billion U.S. dollars, leading all other nations doing business in China. Sino-U.S. trade set a record, exceeding six billion dollars. Also in 1985, there were more exchanges of visits by government leaders and business executives, including Chinese President Li Xiannian's trip to the United States and U.S. Vice President George Bush's return tour of China. These visits have increased mutual understanding and friendship between China and the United States, Han noted. Ambassador Han pointed out that the U.S. Government has relaxed controls on technology transfer to China. "But we hope the United States will go further and show, specifically in this field, that it truly regards China as a friendly, non-allied country." He said China is firmly committed to an open-door policy and is offering various incentives to overseas banners and industrialists to do business in China.

Discussing China's independent foreign policy, he said, "China makes its own judgment and determines its own position on the merits of each case" in the interest of the Chinese and the world's people. Han said Sino-U.S. relations would develop in a more productive way if the U.S. Government would abide by principles issued in the Sino-U.S. joint communiques. Better ties between the two countries are in the best interest of the Chinese and American people and for world peace, he added. The three-day conference is sponsored by Columbia University, in association with other institutions including the Asia Society. Conference speakers will focus on China's recent economic and political development.

In his speech tonight, former U.S. Senator Abraham Ribicoff said that China with one billion people "is becoming more and more important in global endeavors." He discounted the notion that China is going to become another capitalist country. "The key means of production remain in the hands of the state, and the Communist Party remains firmly in charge," he explained. On relations between China and the United States, Ribicoff pointed out that the two countries have succeeded in resolving several impediments to normal trade relationship, such as frozen assets. China and the United States signed a comprehensive tax treaty that prevents double taxation of income earned by one country's nationals in the other country. This has opened the way for growing business and cooperation between the two countries.

FORMER SENATOR LAUDS PRC REFORM POLICY

OW131320 Beijing XINHUA in English 1306 GMT 13 Feb 86

[Text] New York, February 12 (XINHUA) -- Former U.S. Senator Abraham Ribicoff said today that "China's present economic reform and other social policies are opening up a new road never traveled before" and represent "some of the most significant events in modern history".



In an exclusive interview with XINHUA at his Manhattan office, Ribicoff said that Chinese leader Deng Xiaoping and his colleagues "are implementing new policies that integrate socialist economic tenets with market forces: in an effort to expedite China's economic development and catch up with the advanced countries in the world.

Ribicoff was a U.S. senator from 1964 to 81 and chairman of the Senate International Trade Committee in 1979, the year that the United States granted "most favored nation" status to China. He has visited China three times since 1982 on business for the law firm of Kaye, Scholer, Fierman, Hays and Handler, which employs him as a special counsel. The 74-year-old Ribicoff said each time he visited China he observed the progress made by the Chinese people and came back impressed by the vibrant life of the country. "I met Deng Xiaoping and all other top Chinese leaders in Beijing during my visits. They have a clear projection of their country's future and are in full charge of everything," he said. "I am confident that China will succeed in pursuit of its goal and its policy and practice may be followed by many other developing countries in the years to come," he said, adding that "the new policy is aimed at ensuring rapid economic growth and improving the people's living standards. It now works very well."

The positive economic results achieved over the last few years have proven the soundness of open-door policy which, he believes, will become long-term state policy. "The new policy will no doubt enable the Chinese people to accelerate their drive for modernization," he said. According to Ribicoff, the main areas for U.S.-China cooperation should be in the fields of high technology, communications, and exploration and development of oil, minerals and other natural resources. China is in need of all types of expansion and companies from both sides will benefit in starting joint ventures, he added. As a lawyer, he was particularly pleased with China's adoption of laws and regulations relating to foreign trade, patent, contract and other economic matters. The former senator sees these areas as essential in attracting foreign capital and technology. "China is moving in the right direction in perfecting its legal system," he said. Ribicoff said he expects "a strong and stable leadership in China to see the new policy carried through," as there is a second and third echelon of younger and dynamic leaders working along with the old generation of veteran revolutionaries, such as Deng Xiaoping and Hu Yaobang.

#### ZHEJIANG LEADERS MEET DELAWARE LT GOVERNOR

OW131235 Hangzhou ZHEJIANG RIBAO in Chinese 3 Feb 86 p 1

[Text] Yesterday afternoon, Wang Fang, secretary of the provincial CPC Committee, and Governor Xue Ju met Mr and Mrs S. B. Wood at the Hangzhou Hotel. Mr S. B. Wood is an American of Chinese origin and currently lieutenant governor of Delaware.

Mr Wood, whose ancestral home is in Zhejiang, was born in Shanghai. He is now the highest positioned Chinese in the U.S. Government. During the meeting, Wang Fang and Xue Ju held a cordial conversation with Mr and Mrs Wood and extended warm welcome to them on their visit to Zhejiang. Mr Wood said that although the weather was cold, his heart was very warm because of the reception in his native place. After the meeting, Mr and Mrs Wood attended a welcoming party given by Governor Xue Ju and Deputy Governor Xu Qichao in their honor.

To develop friendly cooperation between Zhejiang Province and the State of Delaware, responsible persons of the departments concerned of Zhejiang Province yesterday morning briefed Mr Wood on the economic situation in Zhejiang.

Accompanied by Zhao Jiafu, director of the provincial External Affairs Department, and others, Mr and Mrs Wood yesterday morning went to Zhouxiang Town, Cixi County, to visit their former residence and to Yuyao City to pay respects to the tombs of their ancestors. They were warmly welcomed by the people of their native place. Lt Governor Wood arrived in our province from Shanghai on 2 February at the invitation of Deputy Governor Xu Qichao. He will leave for Ningbo tomorrow.

#### SOVIET PROPOSAL ON CHEMICAL WEAPONS REJECTED

OW130931 Beijing XINHUA in English 0751 GMT 13 Feb 86

[Text] Washington, February 12 (XINHUA) -- The United States today rejected a proposal by Soviet leader Mikhail Gorbachev for an interim agreement banning the spread of chemical weapons, and reaffirmed Washington's favor for a global ban on such weaponry.

Gorbachev proposed on January 15 certain interim steps that could aid progress on a ban on chemical weapons, including an agreement "on a multilateral basis not to transfer chemical weapons to anyone and not to deploy them in the territories of other states." The U.S. State Department in a statement today said that "Mr. Gorbachev's proposal for a formal agreement, along the lines of the nuclear non-proliferation treaty, is not appropriate, nor would it be effective due to the technical characteristics of chemical weapons." It went on to say that "such an agreement could also detract from the achievement of a global ban by diverting attention from the tough verification issues which have yet to be resolved."

According to the statement, the primary U.S. and Soviet efforts "should be directed toward a global ban." "We believe that an effective and verifiable global ban on all chemical weapons is the way to solve the triple problems of existing chemical weapons capabilities, their recent use and their further spread," said the statement. The statement, read by State Department spokesman Bernard Kalb, also said that "the United States has acted through diplomatic channels and by the imposition of export controls to hinder the spread of these weapons in the most dangerous cases."

#### CIVILIAN AIRLINE SERVICE BETWEEN U.S., USSR RESUMED

OW140210 Beijing XINHUA in English 0158 GMT 14 Feb 86

[Text] Washington, February 13 (XINHUA) -- The United States and the Soviet Union have agreed to resume direct civilian flights between the two countries, the U.S. State Department announced today. U.S. Deputy Secretary of State John Whitehead and Soviet Ambassador Anatoliy Dobrynin exchanged diplomatic notes this afternoon amending the 1966 air transport agreement between the two countries. Under the terms of the amended agreement, direct air service will be inaugurated on April 29 of this year. Soviet airline Aeroflot and American airline Pan Am are designated carriers.

The agreement permits each airline to make a maximum of four flights per week to the other country. The U.S. Pan Am will serve Moscow and Leningrad and the Soviet Aeroflot will fly to Washington and New York. There had been twice-a-week commercial flights between the two countries until the Reagan administration suspended Soviet Aeroflot landing rights in the United States in late 1979 when Soviet troops invaded Afghanistan. The new amended air transport agreement doubles the air traffic between the two countries.

BEIJING REVIEW VIEWS SOVIET POLICY ON CAMBODIA

OW131151 Beijing BEIJING REVIEW in English 13 Feb 86 p 10

[Article by Tang Tianri: "Kampuchea: All Talk, No Action"]

[Text] Although the official Soviet press and propaganda machines have been trumpeting new slogans about Kampuchea and other regional issues, its policies remain the same. PRAVDA, the official Soviet Communist Party newspaper, said in a recent article that the political solutions to regional problems required a new approach, and that the Soviet Union was willing to coordinate its actions with other countries in this matter. Soon afterwards Soviet Vice-Foreign Minister Mikhail S. Kapitsa told reporters at a press conference in Moscow that if a political solution was found to the Kampuchean problem the Vietnamese troops possibly would withdraw from Kampuchea in 1987.

But does this rhetoric really represent a new Soviet policy on the Kampuchean issue? In his statement, Kapitsa asked Democratic Kampuchean President Samdech Norodom Sihanouk and Democratic Kampuchean Coalition Prime Minister Son Sann to negotiate with the Phnom Penh regime with Vietnamese troops still in Kampuchea on condition that they must first cut all ties with the Democratic Kampuchean National Army. This is clearly a ploy to disrupt the unity of the three resistance forces of Democratic Kampuchea and dissolve the country's Coalition Government.

Kapitsa's remarks to the Democratic Kampuchean National Army were quite hostile. He described them as "bandits," and did not recognize the National Army as a political force. He said that if the Democratic Kampuchean National Army was willing to "take the road of a political settlement," some of its leaders could contact Phnom Penh authorities.

He maintained, however, that those leaders "could not be regarded as representatives of a political force." What Kapitsa proposed, in fact, is a political conspiracy that attempts to weaken, break up and eventually wipe out the most powerful one in the three Kampuchean patriotic resistance forces.

Kapitsa took it for granted that the elimination of the three anti-Vietnamese factions in Kampuchea would lead to an agreement ending the undeclared war in Kampuchea, and to a "national election with international supervision." However, the so-called election would not be a real one, which the Kampuchean people deserve, and would not be without foreign interference. The election, if it were to take place, undoubtedly would be under Soviet control and serve only to legitimize the Heng Samrin puppet regime.

In the Kremlin's view, the realization of these plans will allow the establishment of a "peace zone" in the form of an "Indochinese federation," which is backed by the Kremlin and controlled by Hanoi. Kapitsa called for an "international conference" and assurances for a peace zone. This means Moscow wants the international community to recognize Vietnam's occupation of Kampuchea and Soviet hegemony in Indochina.

The Soviet Union actually wanted to support Vietnam to solve the Kampuchean problem through military means while advocating its so-called "political settlement blueprint." Kapitsa said if there were no way to reach a political settlement, "the de facto undeclared war would be continued." He imagined that with the Soviet Union's support, the Vietnamese and Heng Samrin troops could become more militant and stronger within a few years' time, and the Kampuchean resistance forces would be wiped out. Then, the Kampuchean problem "would be eliminated automatically."



To help realize this, last year the Soviet Union doubled its annual economic and military aid to Vietnam from US\$2 billion to US\$4 billion. A large number of Soviet-made tanks, artillery pieces, mines, rockets and airplanes continue to arrive in Kampuchea to help Vietnam with its offensive drive, which is aimed at eliminating the Kampuchean resistance forces in two to three years.

Peace and development are the trends of the 1980s, and the world desires to solve international disputes in accordance with the Five Principles of Peaceful Coexistence.

Moscow's attempt to rely on its economic and military superiority and use its power politics to conquer a weak country directly or indirectly should not be allowed. But in their endeavours, the Soviets have not only met with strong resistance by the weak nation, but have also come under severe condemnation from the world community, leaving them in an even more isolated position.

In its six years of occupation of Afghanistan and seven-year support for Vietnam's aggression in Kampuchea, the Soviet Union has tasted some fairly bitter fruit. Events will prove that the scheme to wipe out the Democratic Kampuchean resistance forces and make the Kampuchean problem vanish in two or three years, is merely a daydream.

#### MOSCOW NOT READY TO DISCUSS ISLANDS WITH JAPAN

OW131450 Beijing XINHUA in English 1435 GMT 13 Feb 86

[Text] Moscow, February 13 (XINHUA) -- A Soviet Foreign Ministry spokesman today denied that Moscow is ready to negotiate its long-standing dispute with Japan over the Kurile Islands, seized by the Soviet Union at the end of World War II but claimed by Japan. Valeriy Sukhin, a deputy chief of the Foreign Ministry's press department, gave the denial at a press conference when he was asked whether last month's visit to Tokyo by Foreign Minister Eduard Shevardnadze had cleared the way for talks on the territorial issue. A joint communique on the visit made a vague reference to the 41-year-long Soviet occupation of Japan's four northern islands. Japan, which has insisted on the return of these islands before signing a peace treaty with Moscow formally ending hostilities between the two countries, interpreted the communique as an indication that the territorial issue would be included in the talks to be reopened on a peace treaty.

At today's press briefing, Sukhin said that during Shevardnadze's visit, "the Japanese side raised the (territorial) issue during the negotiations. The Soviet side was strongly opposed to these unsubstantiated claims made by the Japanese side..." "I want to stress that the Soviet position has not changed.... The communique reaffirmed our readiness to continue negotiations on a peace treaty and not the territorial issue," he said. He also stated that "the existing borders between the two states is a historical fact," and that "the Soviet Union is known to proceed from the principle of non-violation of borders." The talks on a peace treaty have been held up over Japan's insistence on the recovery of the Soviet-held islands and the Soviet position that there is no issue to discuss.



ANNIVERSARY OF LAO SHE'S BIRTH MARKED IN MOSCOW

OW131345 Beijing XINHUA Domestic Service in Chinese 0147 GMT 13 Feb 86

[Beijing XINHUA Domestic Service in Chinese at 1140 GMT on 13 February transmits a "public notice" cancelling this item. The "public notice" reads: "Cancel the report (SS016013) "The Soviet Union Marks the 87th Anniversary of Lao She" transmitted today. XINHUA 13 February"]

[Text] Moscow, 12 Feb (XINHUA) -- The Union of Soviet Societies for Friendship and Cultural Revolutions With Foreign Countries and the Soviet-Chinese Friendship Society cosponsored a report meeting at the Home of Friendship in Moscow to mark the 87th birth anniversary of renowned Chinese writer Lao She.

At the meeting, chaired by Tikhvinskiy, chairman of the Soviet-Chinese Friendship Society, (Shemanov), professor of the Asian and African Institute of Moscow University, made a report on Lao She's life and literary work. He said: Lao She was a writer deeply cherished by the Chinese people. Many of his works that have been translated into Russian are popular among the Soviet people. A great writer, Lao She belongs not only to China, but to the whole world. "Rickshaw Boy," a Chinese movie adapted from Lao She's noted novel bearing the same title, was shown after the report meeting.

Chinese ambassador to the Soviet Union Li Zewang, and others attended the meeting.

SOVIET VICE PREMIER URGES SCIENTIFIC PROGRESS

OW132118 Beijing XINHUA in English 1835 GMT 13 Feb 86

[Text] Moscow, February 13 (XINHUA) -- Soviet Vice-Premier Aleksey Antonov today called upon the member states of the Council of Mutual Economic Assistance (CMEA) to concentrate manpower and material resources on speeding up scientific-technological progress, which he called a key to their economic race with the West.

In an article carried by the Soviet daily SOTSIALISTICHESKAYA INDUSTRIYA, Antonov described the acceleration of scientific-technological progress as an urgent task for the CMEA countries, and condemned Western countries for holding back the world's new scientific and technological achievements through various restrictions and bans. At the same time, Antonov criticized some related Soviet departments for their lack of high demands in putting forward draft agreements on cooperation with other CMEA countries in science and technology, and for the lack of proper demands upon the technical excellence of products being exchanged among the CMEA countries.

He stressed the need to create in the Soviet Union and even within the CMEA an atmosphere incompatible with those draft agreements on scientific-technological cooperation which are obsolete or have poor prospects. He said that a comprehensive program for scientific and technological development to the year 2000 among CMEA countries had been adopted last December to meet their interests. If the Soviet Union carries out its commitments to the program, which contains 93 major items, it would directly promote the economic growth in the country, he added.

S. KOREAN NKDP URGES CONSTITUTIONAL REVISION

OW131156 Beijing XINHUA in English 1133 GMT 13 Feb 86

[Text] Pyongyang, February 13 (XINHUA) -- The main South Korean opposition party and several other democratic groups launched yesterday a campaign to collect ten million signatures to press for changes in the existing Constitution," the KOREA CENTRAL NEWS AGENCY (KCNA) quoted foreign reports as saying. The campaign was initiated by the New Korea Democratic Party (NKDP), the biggest opposition party in South Korea, and some other organizations. Democratic personages Kim Tae-chung, Kim Yong-sam and President of NKDP Yi Min-u were among the first 300 people to sign before the noon time yesterday.

A statement issued prior to the campaign by the NKDP and the council for the promotion of democracy, said that the existing "Constitution" enacted by the Chon Tu-hwan authorities in 1980 was drawn up and promulgated in an undemocratic way and is therefore lacking legitimacy. The campaign is intended to "demonstrate the aspirations of people," the statement added.

It was reported that South Korean authorities have threatened to take action against the signature campaign under the "law of assembly and demonstration." A large number of police were already deployed yesterday at places where signatures were being collected. The signature campaign, now limited to Seoul, will reportedly extend to many other parts of South Korea next week.

CHINESE, JAPANESE RICE PRODUCE QUALITY HYBRIDS

OW130811 Beijing XINHUA in English 0640 GMT 13 Feb 86

[Text] Kunming, February 13 (XINHUA) -- Chinese and Japanese scientists have bred nine new high-yielding rice hybrids from their countries' strains, officials in Southwest China's Yunnan Province said today. They said the new strains produce tasty rice and are resistant to cold weather and disease.

After successful experiments with the new strains in Yunnan Province and on Hainan Island in South China, the scientists plan more tests this year on small tracts in Yunnan, Guizhou and Sichuan Provinces. The strains were selected from more than 400 hybrids developed since 1983 by crossing rice from Japan and Yunnan. With its varied landscape, Yunnan produces a wide range of rice strains, many of them resistant to the cold and bearing large ears and kernels. On the other hand, scientists said, Japanese rice strains grow and taste better than most Yunnan varieties.

GU MU LEAVES FOR 'WORKING VISIT' TO SINGAPORE

OW140738 Beijing XINHUA in English 0728 GMT 14 Feb 86

[Text] Beijing, February 14 (XINHUA) -- Chinese State Councillor Gu Mu left here by air this morning to pay a working visit to Singapore as guest of the Singapore Government.

The State Councillor is expected to discuss matters concerning cooperation between China and Singapore in the fields of tourism and civil aviation and study Singapore's economic construction. Liu Zhongyi, vice-minister of the State Planning Commission, accompanied Gu Mu on the visit.

USSR TRANSPORTS MILITARY VEHICLES TO SRV TROOPS

OW140312 Beijing XINHUA in English 0259 GMT 14 Feb 86

[Text] Beijing, February 14 (XINHUA) -- Soviet cargo vessels transported 180 military vehicles and a large number of weapons to the Vietnamese troops at Kompong Som in Kampuchea on January 31, radio Democratic Kampuchea reported today. Kompong Som, 190 kilometers southwest of Phnom Penh, is the largest port city in Kampuchea.

The radio said the Soviet move showed "the political solution of the Kampuchean problem" as declared by the Soviet Union and Vietnam was a sheer fraud. Their strategy remains to be aggression and expansion in Southeast Asia, it said.

SRV SAID UNLIKELY TO WITHDRAW FROM CAMBODIA

OW131642 Beijing XINHUA in English 1444 GMT 13 Feb 86

[Text] Bangkok, February 13 (XINHUA) -- Thai Deputy Prime Minister and Foreign Minister Sitthi Sawetsila said here today there is no indication that Vietnam will withdraw its troops from Kampuchea in the next few years. He made the remark in a speech on Thailand's foreign policy towards Indochina and ASEAN countries at Ram-Khamhaeng University here this morning. Having occupied Kampuchea for seven years, Vietnam is trying to control and Vietnamize the whole of Kampuchea, he said.

As Vietnam has spent a huge proportion of its resources on warfare, including half of the state budget and 30 percent of its GNP, its economy has been deteriorating, Sitthi said. Vietnam's foreign debts now amount to six billion U.S. dollars, and it has to send 18,000 laborers to work in the Soviet Union to pay off its debts. The Vietnamese still lead a life of poverty and hunger, he added. Sitthi noted that Vietnam had seized many military bases of the Kampuchean resistance forces and attempted to seal off the border and prevent the resistance forces from advancing into the interior, however the resistance forces have managed to break up into smaller units, and penetrated into the interior to fight the Vietnamese, he said. Vietnam has failed likewise in its attempt to block the Thai-Kampuchean border, he added.

U.S., LAOS TO EXCAVATE PLANE CRASH SITE

OW140212 Beijing XINHUA in English 0201 GMT 14 Feb 86

[Text] Washington, February 13 (XINHUA) -- The United States and Laos have agreed to begin on February 17 the joint excavation of the crash site of a U.S. airplane which was lost during the Indochina war, the U.S. State Department announced today. This will be the second of such joint excavation in Laos. The first took place in February 1985.



According to a statement issued by the State Department, the aircraft to be excavated is a U.S. Air Force AC-130 which crashed on March 29, 1972 in Savannakhet Province in southern Laos with fourteen crew members aboard.

"The United States Government appreciates this further step by the Lao Government in our cooperative effort to resolve the issue of Americans who are missing or otherwise unaccounted for in Laos as a result of the war," the statement added. Dialogue on the excavation between the United States and Laos has speeded up recently. U.S. Assistant Secretary of State Paul Wolfowitz, the first U.S. official of his rank to visit Laos since 1978, paid a two-day visit to Vientiane, the Lao capital, last December.

#### PHILIPPINE OPPOSITION LEADERS ON HABIB'S VISIT

OW131731 Beijing XINHUA in English 1514 GMT 13 Feb 86

[Text] Manila, February 13 (XINHUA) -- A Philippine opposition leader today branded as "intervention" the forthcoming visit of U.S. special envoy Philip Habib to the Philippines. Member of Parliament Aquilino Pimentel, Jr. said Habib, whom President Ronald Reagan has sent here to talk to President Ferdinand Marcos and opposition candidate Corazon Aquino, would likely "persuade" the two presidential contenders to have a "compromise" regarding the poll results. "Whatever pretensions the U.S. has will be shattered by Mr Habib's visit to the country", Pimentel said.

Meanwhile, opposition Member of Parliament Hombono Adaza warned that the U.S. would lose friends here if it continues to ask the opposition to work closely with the ruling party. He said Reagan's statement asking the two groups to work closely was a denial of the existing realities in the Philippines. Reagan has ignored the report of the U.S. observers' team led by Senator Richard Lugar and news reports in the U.S. media about the widespread fraud and violence committed by the ruling party in the February 7 poll, Adaza said.

At a national press conference on February 11 in the U.S., the U.S. President called on both sides of the Philippine presidential candidates to abide by the outcome and work together for reforms. He also declared he would send veteran diplomatic trouble-shooter Philip Habib to the Philippines. Commenting on Reagan's statement, opposition presidential candidate [Aquino] said yesterday that she was alarmed by Reagan's suggestion that there might have been fraud on both sides while Reagan's own observers said they had only seen it on one side. However, she reaffirmed that she would continue to use peaceful means and welcomed the visit of Philip Habib.

#### Reagan Statement on Bases

HK140349 Beijing International Service in Tagalog 1130 GMT 13 Feb 86

[Text] In Washington, U.S. President Ronald Reagan said at a press conference yesterday that despite reports of widespread fraud and violence during the recent Philippine presidential election, it is heartening to know that the two-party system is alive and a pluralistic democracy exists in that country. He said the American Government will maintain its relations with the Philippines regardless of which administration is chosen by the Filipino people. Reagan added that the USSR is building a larger naval base than the U.S. one in the region. He said this would enable the Russians to block the 16 sea lanes used by the United States and its allies. For this reason, Reagan said, the United States should maintain its bases in the Philippines so it can send its forces when required and keep the sea lanes open.



## Marcos, Aquino Speak

OW131737 Beijing XINHUA in English 1617 GMT 13 Feb 86

[Text] Manila, February 13 (XINHUA) -- President Marcos reiterated his call for national unity and reconciliation before a group of local and foreign correspondents at the presidential palace here this evening. He deplored the violent incidents that had taken place, including the brutal slaying of former Governor of Antique Province and opposition leader Evelio Javier who was gunned down in broad daylight on February 11.

He said that even greater tension had risen in the country since the voting came to a close, and more divisions had occurred among the people as compared to the period of the election campaign. He renewed assurances of his administration's commitment to honor "without reservation" the people's verdict in the February 7 presidential and vice-presidential polls.

Opposition presidential candidate Corazon Aquino proposed tonight that President Marcos must first step down from the office of the president to solve the crisis the Philippines is facing. She made the proposal in a written statement read at a press conference held at her headquarters. "By this I do not mean another election but a process which enable the political system to respond to the real will of the people," Mrs. Aquino elaborated. She emphasized that unity and reconciliation can only be served if Marcos clearly and unequivocally separates himself from the presidency. Mrs. [Aquino] assured that she will do her best to ensure the political crisis will be resolved without violence.

NEPAL CUSTOMS SEIZES LARGE AMOUNTS OF DRUGS

OW131250 Beijing XINHUA in English 1227 GMT 13 Feb 86

[Text] Katmandu, February 13 (XINHUA) -- The Nepalese customs and authorities concerned seized 3.5 tons of various drugs and arrested 154 drug traffickers in 1985, according to data issued by the Home Ministry today. The drugs include 3,320 kilograms of marijuana, 175.64 kilograms of hashish (a kind of marijuana), 3.3 kilograms of heroin and 1.68 kilograms of opium. Of all the arrested drug traffickers, 111 are Nepalese nationals.

Drug addicts in Nepal have increased to around 20,000, and most of them are young people including a number of girl students. To fight against drug abuse, the government established a narcotic drug abuse prevention committee last year which consisted of representatives of the Nepal youth organization, the Home Ministry, the Health Ministry and the police. Official data showed that from 1982 to 1984, a total of 7.68 tons of various drugs have been seized and some 1,500 people including foreigners were found to be involved in this connection. According to Nepal's act, drug traffickers are subject to imprisonment of three to 14 years and fines up to 100,000 rupees (about 5,000 U.S. dollars).

BANGLADESH PLANS TO HOLD ELECTIONS IN 1986

OW131703 Beijing XINHUA in English 1457 GMT 13 Feb 86

[Text] Dhaka, February 13 (XINHUA) -- The Bangladesh martial law government announced today that the long-delayed elections would be held in the first half of this year. Chief martial law administrator Hussain Mohammad Ershad made the announcement here this afternoon when addressing a mass rally organized by the Jatiyo (National) Party, known as "the government political front."

Ershad, who is also the Bangladesh president, urged the opposition parties to go to the polls and help the military government return democracy to the nation.

Parliamentary and presidential elections have been scheduled over and over again since March 1982 when Ershad took over power and promulgated martial law in the country, but none materialized because of repeated opposition boycotts. The opposition parties have insisted that they would go to the polls only when martial law is withdrawn and the country is run by a neutral government. They also demanded that parliamentary elections be held before the presidential election.

Speaking at the rally, M.A. Matin, Jatiyo Party secretary general and also government works minister, called for early holding of a neutral, fair and free election in the country.

Unofficial sources said the elections are likely to be held in April. But observers here believe the government and the opposition will have not got themselves ready by then. The elections will not be held until at least next November, they say. Most of the government ministers, state and deputy ministers attended today's rally organized by the party to which they mostly belong. The party announced its establishment on January 1, 1986.

FRANCE EXPELS 13 FOREIGNERS FOR DISRUPTING ORDER

OW141024 Beijing XINHUA in English 0857 GMT 14 Feb 86

[Text] Paris, February 13 (XINHUA) -- Interior Minister Pierre Joxe signed orders today for the expulsion of 13 of the 64 people arrested yesterday morning by counter-espionage agents investigating the recent series of bombings in Paris, French news agency AFP reported today. According to AFP's source, of the 13 to be expelled for "disrupting the public order," four are Iraqis, four Iranians, three Lebanese, one Algerian and one is Kenyan. They will be sent to their country of origin or their country of choice.

One of the Lebanese was sentenced to two months jail before his expulsion, by a Paris court today, on charges of breaking French immigration laws.

Counter-espionage police detained 64 people in a nationwide sweep yesterday in the wake of last week's bombings on a bookstore, sports shop and a shopping arcade, which injured 20 people. All but the thirteen have been released. Officials said that no link had been found between the thirteen to be expelled and the bombings.

WESTLAND DEAL CAUSES 'POLITICAL CRISIS' IN UK

OW131124 Beijing XINHUA in English 1059 GMT 13 Feb 86

[Text] London, February 12 (XINHUA) -- The near-bankrupt Westland Company, Britain's only helicopter manufacturer whose future has caused a protracted political crisis for the Conservative government today accepted a financial rescue deal made by the U.S. Sikorsky Company and its Italian partner, Fiat.

At a shareholders' meeting held here today, 67.8 per cent of the votes were cast in favor of accepting the American deal with only 32.2 per cent voting against it. The deal was strongly recommended by the company's board of directors.

Last month, the Sikorsky-Fiat offer failed to gain the necessary 75 per cent backing. This time, the terms were restructured to require only a simple majority to succeed. Sikorsky and Fiat will now hold a 29.9 per cent stake in the company. Under the terms of the new arrangement the ailing Westland firm will receive a cash injection of 80 million pounds (112 million U.S. dollars) and will soon begin manufacturing helicopters designed by Sikorsky under U.S. licence.

Earlier today, a European consortium, which had offered a rival rescue package for Westland, called for an adjournment of the shareholders meeting to allow an inquiry into the identity of six "mystery shareholders" who recently got control of more than 20 per cent of the shares, which helped swing the vote behind the American deal. The move to postpone the meeting was rejected and the European consortium was forced to admit defeat after the vote was taken. However the matter of the "mystery shareholders" has not been resolved and the London Stock Exchange plans to investigate whether there have been any irregularities in the way the shares have changed hands. If irregularities are found, today's vote could be made invalid.



Former Defence Secretary Michael Heseltine, who resigned from the Thatcher government over the issue and has been campaigning for the European offer, said he was "disappointed" at the results of the vote but added that he still believes in the principle of European defence cooperation. Other supporters of the European consortium also argued that the Sikorsky deal, now approved by Westland's shareholders, will leave Britain's sole helicopter manufacturer over-dependent on U.S. technology and may jeopardise future European collaboration in both helicopter production and other defence projects.

The political crisis over Westland surfaced early last month when Heseltine resigned his post in disagreement with Prime Minister Margaret Thatcher and Trade and Industry Secretary Leon Brittan, over the handling of the Westland affair. Brittan also resigned 15 days later after being accused of leaking a confidential cabinet letter, in order to undermine Heseltine's campaign. The dispute within the Cabinet over Westland has since snowballed into the biggest crisis for Mrs. Thatcher since she won power in 1979, raising questions about both her competence and integrity.

Observers here suggested that today's shareholders' decision will probably alleviate the two-and-a-half-month old political crisis over the Westland affair, but will hardly help restore the Conservative government's damaged popularity.

Earlier this week, the British Broadcasting Corporation (BBC), carried out a poll in four parliamentary constituencies held at present by the Conservative party. The survey showed a total of 70 per cent of the voters in the ridings thought that the government had not been honest about the Westland affair. The latest national Gallup opinion poll, due to be published in tomorrow's DAILY TELEGRAPH, shows that Prime Minister Thatcher's personal popularity has slumped to its lowest level since before the Falklands (Malvinas) war. Of those questioned, 67 per cent said they were "dissatisfied" with her performance and only 29 per cent were satisfied that she had acted properly.

The previous lowest level of voter confidence in a prime minister was 25 per cent she polled in 1981 -- the lowest for any post-war British leader. The Gallup Poll now puts the opposition Labor Party in the lead in the popularity stakes with 35.9 per cent of voter support and the Liberal-Social Democratic alliance second with 33.5 per cent, while the ruling Conservative Party rates a poor third at just 29.5 per cent.



ENVOY PRESENTS CREDENTIALS TO BULGARIA'S ZHIVKOV

OW140248 Beijing XINHUA in English 0243 GMT 14 Feb 86

[Text] Sofia, February 13 (XINHUA) -- Bulgarian leader Todor Zhivkov today said his country is "satisfied with Bulgarian-Chinese relations" and high-level political contacts between the two sides should continue.

He made these remarks when receiving Chinese Ambassador to Sofia Teng Shaozhi who presented credentials to the Bulgarian leader. Zhivkov told the Chinese ambassador, who arrived in Sofia on February 5, that in recent years bilateral relations have further developed in economic, cultural and other fields in addition to the exchange of high-level visits by leaders of both countries. The Bulgarian leader expressed the hope that Bulgarian-Chinese ties should continue to develop.

U.S. EXTRADITES WAR CRIMINAL TO YUGOSLAVIA

OW130815 Beijing XINHUA in English 0704 GMT 13 Feb 86

[Text] Belgrade, February 12 (XINHUA) -- War criminal Andrija Artukovic, known as "the Balkan Butcher," was extradited from the United States today and is to stand trial for his involvement in the massacre of more than 700,000 people during the Second World War. According to an official document outlining the case, the Yugoslav Government had sought the extradition of Artukovic, who fled to the United States in May 1945, for 35 years.

Artukovic, 87, faces charges that he presided over the massacre of Serbs, Jews, Gypsies, and other innocent victims Croatia when he acted as minister of the interior in the "Independent State of Croatia," a Nazi puppet state. The United States had refused to extradite Artukovic, described by the Yugoslav Government as "the Balkan Butcher," whose lawyers argued that the charges against him are "politically inspired." However, international pressure and the rising tide of U.S. public opinion "forced the U.S. authorities to re-examine his past and finally extradite him to Yugoslavia," the Yugoslav news agency TANJUG reported.

Artukovic was arrested in November 1984 at his Los Angeles home, and his extradition to Yugoslavia was ordered by a Los Angeles court in March 1985. "After 40 years, Andrija Artukovic has returned to the country where he perpetrated heinous crimes for which he must render account," the news agency said.

Artukovic was directly responsible for the extermination of 700,000 men, women and children, TANJUG said. The extermination, including genocide against children, was predominantly carried out in the Jasenovac concentration camp. According to TANJUG, Artukovic was also responsible for inspiring and organizing mass murders of Croat anti-fascists.

SPORTS EXCHANGE PROTOCOL SIGNED WITH POLAND

OW140300 Beijing XINHUA in English 0249 GMT 14 Feb 86

[Text] Warsaw, February 13 (XINHUA) -- China and Poland signed a sports exchange protocol for 1986 here Thursday. In accordance with the protocol, the two countries will exchange visits of women cagers, sporting acrobats, fencers, footballers, cyclists and gymnasts.

SOCIALIST PARLIAMENTARIANS END WARSAW MEETING

OW140720 Beijing XINHUA in English 0644 GMT 14 Feb 86

[Text] Warsaw, February 13 (XINHUA) -- Heads of parliamentary groups from 11 socialist countries today ended their two-day consultative meeting on preparations for two conferences of the Inter-Parliamentary Union (IPU) scheduled for this year. Participants at the Warsaw preparatory meeting for the 75th and the 76th IPU conferences, scheduled to be held in Mexico in April and in Argentina in October respectively, said that the theme of the Mexico conference "should be contributions by parliaments to the endeavor for halting the arms race and to preventing the militarization of outer space," the Polish news agency PAP reported.

The role of parliaments in eliminating the source of international tensions and in fighting against international terrorism, as well as their contributions to faster economic growth of developing countries will also be discussed during the conference, PAP said. The latest Soviet disarmament proposal announced by Soviet leader Mikhail Gorbachev a month ago, the participants said, should be the "central topic" for discussion at this year's IPU conferences.

They also discussed the Sixth Inter-Parliamentary Conference on Security and Cooperation in Europe, to be held in Bonn in May. Delegations from the ten member states of the Council for Mutual Economic Assistance (Comecon) and the Democratic People's Republic of Korea attended the Warsaw meeting.

JARUZELSKI SAYS MOST POLES SUPPORT GOVERNMENT

OW101354 Beijing XINHUA in English 1258 GMT 10 Feb 86

[Text] Warsaw, February 9 (XINHUA) -- An overwhelming majority of Poles hold identical views on world peace, structural principles of socialism, internal stability, territorial integrity and state security and the union, according to Polish leader Wojciech Jaruzelski. In an interview with Italian reporters, a transcript of which was published by the official news agency PAP here today, Jaruzelski said that "not all the people are satisfied with the policies of the state," and that confrontations, contradictions and disputes exist on all the major and minor issues. But, he added things are not as bad as is sometimes portrayed.

Jaruzelski also said that his government is holding dialogues at all levels with the Catholic Church and that the joint committee of the government and the church is continuing its work. "But that does not mean there are no conflicts. For instance, some clergymen go counter to their mission by getting involved in political activities. This even made it possible for some non-Catholics to take the church as a political forum," he said.

Jaruzelski also down played the influence of the Solidarity trade union. He said that the early 1980s will be remembered not for the union's role but a period of socialist reform in accordance with the will of the working class and working people." He accused Solidarity trade union leaders and "extra groups" of attempting to overthrow the constitutional order of the country at a time when tens of millions of working people were attempting reforms.

READJUSTMENT OF INVESTMENT STRUCTURE STRESSED

OW130649 Beijing XINHUA Domestic Service in Chinese 0237 GMT 13 Feb 86

[XINHUA Commentator's article: "It is Necessary Not Only To Control the Scope of Capital Construction But Also To Readjust the Structure of Investment"]

[Text] Beijing, 13 Feb (XINHUA) -- Controlling the scope of capital construction and readjusting the structure of investment so as to pool our financial and material resources to strengthen the construction of energy resources, communications, raw and other material industries, and other key projects is of crucial significance to guaranteeing the steady development of our country's national economy this year. It is also an important task confronting us.

The situation in some localities shows that the policy of controlling the scope of capital construction, as repeatedly emphasized by the central authorities, has not yet been implemented well. According to the initial statistics from departments concerned, investments in capital construction in 1985 increased by 75 percent over 1983, a margin greatly surpassing the 28 percent increase in national income over those 2 years. On one hand, the scope of construction as a whole is now rapidly expanding; on the other hand, irrational phenomena in the investment structure have appeared: Productive construction projects have slowed; nonproductive projects have increased drastically; the proportion of energy resources, communications, raw and other material industries, and other key projects had dropped; the proportion of the construction of processing industry has risen. Historical experience tells us that if such a situation remains unchanged, it will inevitably damage the healthy development of the national economy.

Why is the scope of capital construction still too large? Why is the structure of investment irrational? The main reason is that quite a few department and enterprises have failed to seriously implement the central authorities' directive on control over the scope of investments in fixed assets. Along with reforms in the economic structure, nonstate budgetary funds owned by all departments and enterprises in our country have increased by big margins year after year. In 1980, these funds amounted, on the whole, to the equivalent of two-thirds of the state's revenues. By 1985, these funds increased on the whole to the equivalent of four-fifths of the state's revenues. With money in their pockets, many local departments have emphasized the construction of industrial processing projects which can be completed in a short period and can produce good profits. Or they are fond of building office buildings, halls, hostels, and guesthouses which are not urgently needed. They lack enthusiasm for energy resources, communications, raw and other material industries, and other projects which cannot be completed in a short period and which cannot make money soon.

Generally speaking, many localities had hoped that expanding the scale of capital construction would accelerate local economic development. However, if their hopes exceed the limit imposed by objective conditions, capital construction would instead have negative results. Over the years, we have seen many projects, including even key construction projects, postponed repeatedly and becoming obsolete. Most of these failures were caused by overextended capital construction ambitions. This fact should merit our serious attention.

Obviously, an urgent task at the moment is downgrading nonproductive projects and non-essential processing projects, stepping up the construction of energy, communications, transportation, and raw and processed materials projects, and striving to eliminate backwardness in these industries. We are experiencing acute shortages in energy, transportation, and raw and processed materials. The only way to resolve this problem is to sharply curtail all general-purpose construction projects and shift the money and materials thus saved to more energy, transportation, and raw and processed materials projects.



Only when there is sufficient energy, transportation means, and raw and processed materials can our country lay a firm foundation for and gain relatively rapid development in its processing industry and the entire national economy as a whole.

In restricting capital construction and readjusting the investment structure, there are bound to be contradictions between local interests and those of the whole and between immediate and long-range benefits. The only way to solve this problem is by subordinating local interests to those of the whole and immediate benefits to long-range benefits, thus curtailing nonproduction projects, stepping up the construction of production projects, limiting general-purpose projects, and stepping up the construction of key projects, including energy, communications, and raw and processed materials. This requires us to seriously examine all projects under construction, keep those worthy of retention, and resolutely do away with those that must be eliminated. Why can we not resolutely stop those projects lacking sufficient conditions for construction or those projects that will not bring good economic results even when completed? We must postpone the construction of projects which, though needed, are beyond our ability, so that sufficient financial and materials resources can be made available for key projects vital to the entire national economy, thereby accelerating the pace of construction and achieving better economic results with our investments.

#### CREATIVE FREEDOM SEEN AS HISTORICAL 'MISSION'

HK120707 Beijing GUANGMING RIBAO in Chinese 23 Jan 86 p 3

[Article by Guan Shanyue: "Freedom of Creation as I Understand It -- Speech Made at Forum held by the GUANGMING RIBAO Literature and Art Department"]

[Text] Pushed forward by the current policies of opening up and reform, the windows are opened, fresh air is coming in, and it is inevitable for the weak to catch cold. But should we close the window lest somebody catch cold? That is a negative measure. The positive measure is to strengthen our immunity.

Grasping the two civilizations simultaneously, we should by no means neglect building spiritual civilization. Neither should we put aside building spiritual civilization while grasping economic construction. What was fatal in the past was our onesidedness. From now on we should never repeat our past onesidedness. Sometimes it is easy for us to waver, to take a tortuous path, and sometimes, going from one extreme to another, to take the road back. Now that we are opening up, if we shut the door again that would be taking the road back.

To my knowledge, there has never been absolute creative freedom. Was there any freedom during the KMT reign? That would endanger one's life! Is there freedom in the capitalist society? No. It seems that painters there are quite free. But they have to make a living. They have to see what the capitalists like, and curry their favor. The paintings must bring in profits and be favorable to the capitalists. Are those painters free? They have to forget about their consciences, they have to paint things for which they have no liking. Therefore, freedom is relative. Creation was not free during the reign of the "gang of four." Rocks were not to be portrayed while drawing scenery, and painters were asked to draw socialist trees. But heaven knows what socialist trees are. Those with straight trunks were called socialist trees, and those painted with too much ink were called malicious paintings. Besides, painters were ordered to give expression to focal tasks and artists to give performances centering around the focal tasks. Too many rules and regulations interfering with the law governing it would really bring restrictions to creativity. However, today we are implementing the freedom of creativity under the premise of "serving the people," and "serving socialism." We have obtained our creative freedom under the restrictions of the "four cardinal principles."

It is imperative for us to fight against bourgeois liberalization, the freedom of creating those things injurious to our national dignity, and poisoning the people's souls. Such things are: violation of social benefits, deviating from the policy target of reform; countering the requirements of the party; and going against the will of the people. We should never forget that we are revolutionary literature and art workers serving the people and socialism. We should fully understand the dignified title of the architects of the soul. This is the glorious responsibility assigned us by the party and the people. We should not shrink from this sacred responsibility. If we strike a blow for creativity while shouldering this sacred responsibility, can it be said that there is no freedom in such creation? This identifies with our purpose in life. I think that this is the greatest freedom, like a bird flying in the vast expanse!

There is an argument that the farther removed from politics, the better are creative literature and art. In my personal opinion, the slogan "literature and art should serve politics" is no longer proposed, but this does not mean that literature and art are entirely divorced from politics. I agree that literature and art should not become an appendix to politics; that they should have their own independence; but they should not be divorced from politics. In the past, serving politics was rigidly absolute in the affirmative, but now serving politics is made absolute in the negative, in the expression, the further removed from politics the better. This is going from one extreme to another, and obviously wrong. Chinese painting has a long history, and a profound and unique traditional theory and technique. It is rich in national style and atmosphere loved by the people. Since the 3d Plenary Session of the 11th CPC Central Committee, we have welcomed our country's best time. We should not fail our times. We must accept the mission which history has assigned to our times and fulfill the people's trust in transforming the ancient national painting into new and modern Chinese painting. This makes new contributions to the culture and art of our socialist motherland, as well as to the world's treasure house of art, so that our art may shine brightly in the world, as do our athletes at present.

#### RURAL PARTY RECTIFICATION METHODS DETAILED

HK120107 Beijing BAN YUE TAN in Chinese No 1, 10 Jan 86 pp 20-22

[Article by BAN YUE TAN political editorial office: "Questions and Answers on Party Rectification in the Rural Area (Part I)"]

[Text] Question: Where does the importance of party rectification in rural areas lie?

Answer : Party rectification in rural areas has been an important stage of the all-round party rectification since 1983. It is also the stage which is the broadest in scale and deals with the widest range of matters. Its importance is reflected in the following:

1. There are more than 25 million party members in rural areas, accounting for more than 50 percent of the total number of party members throughout the country. The number of grass-roots party organizations in rural areas also accounts for nearly 50 percent of the total number of grass-roots organizations in the whole party. To do well in rural party rectification is a matter of primary importance affecting the situation as a whole.

2. Rural party organizations and party members serve as a link and bridge between the party and the masses. The words and deeds of party members will directly affect the implementation of party policy in rural areas. Their state of mind will also have a great influence over the socialist modernization program in rural areas.

3. Only by doing well in carrying out rural party rectification, correcting party work style, and improving the general mood of the society can we say that we have done what is basically important with regard to the building of socialist spiritual civilization in the rural area, and that we have followed a correct orientation in the building of material civilization.

4. The second stage of rural reform is progressing in depth. Doing well in rural party rectification will enable rural party members to deepen their understanding of the reform and rural party organizations to strengthen their leadership over rural reform to ensure its smooth progress.

Question: What positive role have rural party organizations and party members played in the rural reform?

Answer: After the 3d Plenary Session of the 11th CPC Central Committee, rural areas were the first to enact economic reforms. Great success has been achieved in rural economic reforms. This cannot be separated from efforts exerted by grass-roots party organizations and party members in rural areas to conscientiously implement the party's line, guiding principle and policy, and actively carrying out their work among the masses. A great many party members feared neither dangers, rumors, or slanders. They were bold in experimenting and exploring specific forms of the production responsibility system. When the masses still cast doubt on the implementation of the contract system according to output, rural party members took the lead in implementing the party policy, undertaking contract projects, and developing commodity economy. When the masses did not know how to get rich although they wanted to be rich, many party members helped them review experience in getting rich, and guided them on the path of common prosperity. It is appropriate to say that rural party organizations and party members have withstood new trials and tribulations. Most of them are good, or comparatively good. This is the main aspect of things which should be affirmed.

Question: At present, what problems exist in rural party organizations and among party members?

Answer: The main problem is that their ideas and work do not conform with the general tasks of the new period. Ideologically, some party members cast doubt upon the superiority of the socialist system. They lack confidence in the bright future of communism and lack a profound understanding of the party's new economic policy for rural areas.

As far as their work style is concerned, some party members have forgotten the purpose of serving the people wholeheartedly. What is uppermost in their minds is how to build up family fortunes. They have failed to lead the masses on a path to common prosperity. They have failed to correctly handle relations between the state, the collective, and individuals.

Institutionally, their sense of organization is blunted, and their discipline is lax. They do not participate in the activities of the organization and have failed to be in the vanguard for party members. The inner-party life of some grass-roots party organizations is extremely abnormal. Some of these organizations are even in a state of paralysis or semi-paralysis.

A few party members, a few party-member cadres in particular, have followed the bad work style of breaking away from the masses. They pursue a certain extreme individualism, seek private gain at public expense, abuse their power for individual interests, resort to coercion and abuse their authority, and so on. A small number of party members cannot withstand the attack of decadent capitalist ideology and have lost their bearings. Some of them put profit-making first, regard money as everything, violate law and discipline, or even degenerate so far as to commit crimes.



Question: What is the main purpose of party rectification in the rural areas?

Answer: The main purpose of party rectification in rural areas is to enable rural party organizations and the broad masses of party members to further understand the party's general task under the new situation, promote profound development of the rural reform, lead the masses to do well in developing socialist commodity economy, and consolidate and develop the favorable rural situation.

Rural party rectification means that under the guidance of Marxism-Leninism-Mao Zedong Thought, we should expose and solve impurities in ideology, work style, and organization and effect a fundamental turn for the better in party work style so that party organizations in the rural area will be purer, healthier, more vivid, and energetic. Through party rectification, we will help all party members in rural areas further raise their ideological consciousness, and arouse their enthusiasm so that grass-roots party organizations will become a powerful fighting force. In so doing, we will unite with the broad masses of peasants, work together with them with one heart, and effectively carry out socialist modernization in rural areas.

Question: What the four principal problems which should be solved in the rural party rectification?

Answer: The rural area of our country covers a vast territory, and the conditions of different regions vary widely. On the basis of doing well in conducting investigations and studies, we should grasp the main problems and concentrate our efforts on solving them. During the party rectification this time, we should grasp the following four problems to consolidate our party organizations, and strengthen their building in light of the general conditions in our rural areas:

1. We should try to help our party members enhance their understanding of the basic purpose of the party. Through education, we will enable the broad masses of party members to clarify ideologically that during the new period serving the people wholeheartedly means specifically that they should actively guide the peasants to affluence through hard work, observe discipline and law, make joint efforts to promote the building of the two civilizations, and strive to make our country powerful and our people rich. We should once and for all help them raise their ideological consciousness and strengthen their party spirit.
2. We should further understand various policies of the party for rural reform and economic development, enhance our consciousness of implementing the policy, promote rural reform, and develop the favorable situation in rural areas.
3. We should conscientiously handle the cases of the few party members who have made serious mistakes in order to maintain the purity of the party ideologically and organizationally.
4. We should truly grasp the building of leading bodies. In the meantime, we should improve regular activities of all party organizations, perfect the democratic centralism of the party, strengthen its ideological and political work, recruit new party members, and expand and consolidate the party's ranks.

Question: How should we treat party rectification?

Answer: All party members should actively take part in party rectification. In particular, party-member cadres should take the lead in this regard. The correct attitude for party members to take toward party rectification is: 1) From beginning to end, they should take part in the activities of party rectification, and conscientiously study documents.

- 2) They should seriously examine their ideas and work, listen to their comrades' criticism with an open mind, and consciously correct their defects and mistakes.
- 3) Starting from the desire for unity, they should enthusiastically help other people correct their defects and mistakes. They should also dare to fight against unhealthy trends.
- 4) They should put forward their opinions and suggestions to party organizations on their own initiative in order to do well in consolidating party building.

#### RENMIN RIBAO STRESSES DEVELOPMENT OF TOURISM

HK110624 Beijing RENMIN RIBAO in Chinese 5 Feb 86 p 1

[Editorial: "Tourism Is an Important Component of the National Economy"]

[Text] The State Council recently approved in principle the targets for the development of our country's tourism: By 1990, 5 million foreign tourists will be received a year and \$3 billion earned; by 2000, 10 million tourists will be received a year and \$10 billion earned. Attainment of these targets will lend great impetus to the development of our country's national economy. The tremendous development of our country's tourism needs the unified thinking of the departments concerned. A full understanding of the important position of the national economy is a prerequisite to concertedly supporting the development of tourism.

In the past, as a result of our country's long closing to the outside world, we knew little about the development of tourism in the world and took no heed of the economic and political significance of tourism. Many comrades held that tourism dealt with feasting and entertainment, and it would be better to build factories with the money earmarked for developing tourism, classifying the investment in tourism as nonproductive investment. It was not until the 3d Plenary Session of the 11th CPC Central Committee that close attention was paid to developing tourism, a series of tourist facilities were put up and a number of scenic spots opened to tourists, and some results scored in developing tourism. Generally speaking, however, our country's tourist industry is still very backward. Our incapacity for receiving tourists and poor service for tourists are extremely incompatible with our country's rich tourist resources. The tourist industry urgently needs to be developed. Tourism is an important component of the national economy. It is incomparably superior in many aspects to other sectors of the national economy.

-- Enjoying a quick turnover of investment and yielding high economic profits, tourism is a quick way to accumulate funds. Tourism is becoming one of the world's most important trades.

-- Earning foreign exchange at low costs and with low risk, tourism is an important source for earning foreign exchange without having to do foreign trade. Efforts should be made to earn foreign exchange in order to guarantee the four modernizations, to implement the opening up policy, and to support the work of using foreign capital and importing advanced technologies and equipment. To earn foreign exchange, it is certainly necessary, first of all, to do a good job of export trade. However, it is not so easy to earn foreign exchange through exports. Comparatively speaking, tourism can earn foreign exchange more easily and more quickly.

-- Tourism may push the development of other trades. The development of tourism requires the all-round capability of accommodating tourists in terms of food, hotels, transport, sightseeing, shopping, and merry-making. As a whole, tourism also needs investment.

However, the development of tourism will promote the prosperity of many other trades, such as civil aviation, railroads, highways, and water transport, posts and telecommunications, building construction, urban facilities, commerce, light and textile industries, handicrafts, and processing of farm and sideline products. This will doubtless lead to the all-round development of the national economy.

-- Tourism is a labor-intensive trade and requires a great number of personnel. According to the current situation of the development of international tourism, when a tourist department employs one additional person directly serving the tourists, there will be an increase of five people in society indirectly engaged in tourism. With the economic development of our country, labor productivity will be greatly increased and a great number of labor service personnel will turn to the tertiary industry. Tourism and other related trades will serve precisely as a "storage tank" for accommodating this labor force.

Judged from the political viewpoint, the development of tourism is also a bridge for promoting friendly exchanges between the Chinese people and the people of other countries. Through the "window" of tourism, people of other countries may understand China better, and the splendid Chinese culture may spread to foreign countries. It should be clearly understood that supporting tourism means supporting the development of the "two civilizations" and the accomplishment of the "four modernizations."

In view of the importance of tourism, the state has officially included the development of tourism in the Seventh 5-Year Plan. In drawing up the national economic plan in the past, the departments concerned did not regard tourism as a comprehensive project of systems engineering. They did not work out a plan for developing tourism as a trade. They did not pay attention to building fundamental urban facilities related to tourism and exploiting tourist resources. This hindered the development of tourism. In many key tourist cities at present, a shortage of water and power supply is felt, the means of transport are in great demand and, in particular, civil aviation transport capacity is insufficient, and planes are seriously overloaded. With tourism officially included in the national economic development plan, the state will give tourism essential support in the form of funds and policy. However, the state at present does not have ample funds and cannot spare much money for developing tourism. How to make good use of the limited investment is an important problem needing solution.

At present, various localities are vigorously developing tourism. This is a good thing. However, they must not ask the state for funds which they do not urgently need. Various localities and departments must bring their economic development plans in line with the development of tourism. Only when they work together concertedly can they implement their plans of developing tourism. At the same time, they must actively train management and service personnel for the tourist trade and improve their political and professional qualities. In conducting modern tourism, it will not suffice to stress only material conditions. Without competent managers, qualified personnel, and first-rate service, a tremendous development in tourism is not possible. In short, in developing tourism, it is imperative to adhere to the policy that the state, localities, departments, collectives, and individuals forge ahead together, emphasizing positive factors in various quarters.

With a long history, our country has many historic sites and scenic spots, studded with famous mountains and crossed by great rivers. It has unique natural landscapes and historic and cultural spots. Its tourist resources are the best in the world. Our country's firm open policy is another important guarantee for developing tourism. As long as we unify our thinking, advance in step, and concertedly support tourism, our country will become one of the countries with developed tourism by the end of this century.



PROSPECTS FOR ECONOMIC REFORM REVIEWED

HK100747 Beijing JINGJI RIBAO in Chinese 25 Jan 86 p 3

[Article by Xue Muqiao: "Retrospect and Prospects of the Reform of the Economic Structure in Our Country" -- originally published in January 1986 in issue No 1 of ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURAL REFORM] and reprinted here with some revisions by the author]

[Text] It has already been 7 years since the reform of our economic structure began at the 3d Plenary Session of the 11th CPC Central Committee. It has scored obvious achievements.

Our reform was first carried out in our rural areas where the economic structure is relatively simple. In order to give full play to peasants' initiative and fully tap rural production potential, we have bravely broken the old pattern of the "three levels of ownership with production teams as the basis" in our people's communes; basically implemented the contract production responsibility system geared to families; encouraged the specialized households that carry out diverse undertaking; developed town and township enterprises in diverse lines of trade; broken the monopoly of supply and marketing cooperatives in commerce; switched to diverse sectors, including public, collective, and individual sectors operating in the commercial sphere in order to meet the demand of the development of commodity production; and expanded commodity exchange in our market. We can say that our country's rural economic structural reform has already made a radical breakthrough and is continuing to vigorously develop and become more commercial, specialized, and scientific. Our tasks in the future are to do a good job of drawing up all-round economic development plans in light of local conditions, continue to consolidate the leadership position of the local and rural public-owned sector in the rural economy, and adopt methods of indirect regulation to continue to strengthen the state's planned management over the rural economy.

Owing to the complicated situation, our urban economic structural reform began relatively slowly. The focus of the reform is to expand the decision-making power of our state-owned enterprises, put an end to the practice of enterprises "eating out of the same big pot" of the state and of staff and workers "eating out of the same big pot" of their enterprises, and turn our enterprises into relatively independent commodity producers and operators that are managed independently and that shoulder sole responsibility for their profits and losses. This reform involves reforms in our planning, financial, banking, commercial, material circulation, price management, and wage systems, and therefore encounters relatively great difficulties. We have already done a large amount of work in reform in the above-mentioned fields, but all these reforms are still at a transitional stage and have not been basically completed. We have also failed to satisfactorily coordinate these reforms. Therefore, except for a very small number of enterprises in which reform experiments have been carried out and which are satisfactorily administered and managed, no radical breakthrough has yet been made. We have already somewhat relaxed our control over and invigorated our urban and rural collective enterprises, and the pace of development in these enterprises has exceeded by far that in our thousands of large and medium-sized state-owned enterprises. The latter are the backbone of our national economy.

If we continue to fail to entirely overcome the stagnation in their development, they will not only develop relatively slowly; it is also possible that their leadership position and backbone role in our national economy will be weakened. That is why the 3d Plenary Session of the 12th CPC Central Committee decided to switch the focus of our economic work from readjustment to reforms, switch the focus of reform from rural to urban areas, and regard as the focus of the reform the transformation of thousands of state-owned enterprises into economic entities full of vitality and vigor which can be managed independently.

Since the 3d Plenary Session of the 12th CPC Central Committee, the pace of our urban economic structural reform has been quickened and a lively new situation has begun to emerge. The growth rate of our industrial production last year was among the best in the world, as was also rare in our country's history, except in the restoration period in the first 3 years after the founding of the People's Republic and in the 3 years of the "Great Leap Forward" in the late 1950's. (That "Great Leap Forward" has caused great retrogression in our industrial and agricultural production.) In spite of a relatively big rise in prices of goods, living standards have still improved substantially. The excessively quick development of our industrial production was caused by the runaway scale of our capital construction (which was caused by runaway bank credit) and by runaway wage funds which began in the fourth quarter of 1984. It has given rise to an unprecedented prosperity in our national economy. It may also be caused by an eased shortage of the supply of production means and the sufficient supply of consumer goods, a situation developed through years of readjustment (and which is an important condition for us in having a free hand in our structural reform), and thus creating difficulties for future structural reform. Therefore, since the first quarter of 1985, the State Council has called several meetings of provincial governors to resolutely overcome the runaway phenomena. By the third quarter of 1985, this began to achieve results. In light of the experience that we gained in 1981 in slamming the brakes on, last year we adopted the method of applying the brakes slowly and strove to keep the year's credit supply within the planned target. In the coming 2 years, we should do our best to prevent our capital construction from exceeding the scale of 1985 in order to prevent the emergence of another dislocation in the basically harmonized proportional relationship in our national economy and in order to avoid being forced to carry our further readjustment.

Looking back, we see that since the 3d Plenary Session of the 11th CPC Central Committee, we have always called for the reduction of our capital construction scale. In 1979, as work was already started in the construction projects, we failed to fulfill the set plan for investment reduction. In 1980, the planned investment was reduced, but as the financial and banking management systems were reformed, the extrabudgetary investment made by spending funds at enterprises' disposal and borrowing from banks greatly increased and exceeded the state's set plan. In the first quarter of 1981, we slammed on the brakes, and the growth rate of our industrial production dropped suddenly; there was a negative growth rate for our heavy industrial production. Although we began to gradually relax our control over bank credit in the second quarter, capital construction investment that year did not exceed the state plan and the growth rate of our industrial production only slightly exceeded the state planned target (4.5 percent), the lowest in the past 7 years. In slamming the brakes on that year, we paid dearly by having a slow industrial growth rate and a drop in our heavy industrial production. However, in exchange, we got a rough balance in the supply and demand of the means of production and a buyers' market for many kinds of consumer goods. This provided fine conditions for the construction and economic structural reform later. From 1982 to the third quarter of 1984, our capital construction scale again exceeded the planned target and both wages and bonuses rose relatively quickly, but as the growth rate of industrial and agricultural production greatly exceeded the state's planned targets, there was no great shortage of the supply of the means of production and a sufficient supply of commodities on our market. There was a surplus of grain, cotton cloth, and other consumer goods that are most indispensable to people's lives, and we had to market these goods abroad. Therefore, the 3d Plenary Session of the 12th CPC Central Committee pointed out that at that time we have the most favorable chance to speed the economic structural reform, and decided to speed the urban economic structural reform. This was a timely and entirely correct decision.

In the fourth quarter of 1984, we started to reform our bank credit and enterprise wage systems, expand locality and enterprise decision-making power over using bank credit to conduct construction, and expand our enterprises' decision-making power in wage reform.



As we lacked experience while enlivening our microeconomy, we failed to correspondingly strengthen our macroeconomic control. As a result, runaway bank credit and wage funds emerged. In the fourth quarter, bank credit rose sharply, by 164 percent, over the same period of 1983. The total wages for the fourth quarter of 1984 rose by over 30 percent over the same period in 1984, and the total bonuses rose by over 100 percent, exceeding by far the growth rate of industrial and agricultural production. The volume of currency issued rose sharply (this was partly due to the sharp increase in the purchases of agricultural products because of bumper harvests), and our foreign exchange reserve dropped. The CPC Central Committee and the State Council promptly discovered this problem and held several provincial governors' meetings to correct the "overheated" tendency in production and construction. Of course, it took time to reduce construction projects and it was difficult to reduce the wages that had already risen. Moreover, owing to the reform in our wage system, wages could not help but continue to rise last year. As a result, an excessive supply shortage in production means emerged last year and the prices of the portion of rolled steel and other production means sold by negotiation rose sharply. Although there was no shortage of consumer goods, as purchasing power rose too quickly, there were relatively large increases in commodity prices on our markets, and the quality of certain products dropped because they sold too well. In order to solve these problems, in addition to strengthening market control, the fundamental method is to control the excessive expansion of purchasing power (consumption funds). In the coming 2 years, we should regard strengthening our macroeconomic control as the focus of our reform. As we strengthen our macroeconomic control, we will continue to enliven our microeconomy (in particular the management of our thousands of large and medium-sized state-owned enterprises).

Some comrades view new problems with old ideas and think that over the past year we have set overly ambitious reform requirements. They regard the rise in the prices of the means of production as the consequence of the implementation of negotiated purchases and sales policy and uphold the restoration of the system of centralized distribution of production means. Our experience in the past over 30 years has repeatedly told us that the excessive scale of capital production is the fundamental cause for the supply shortage of production means. In the past we relied on financial allocation for our investment in capital construction. Under such circumstances it was relatively easy to centralize the distribution of means of production (but we all know that various defects have still emerged). Now, the investment in the capital construction projects relying on financial allocation within the budget only accounts for one-third of our total capital construction investment. The extrabudgetary capital construction relying on borrowing from banks and on funds in the hands of our enterprise accounts for two-thirds of the total investment. If we restore the previous practice of centralizing the distribution of all the means of production and eliminate the practice of negotiated purchases and sales of production means, then most of the extrabudgetary construction and the production of most local medium-sized and small factories will be paralyzed. This will cause inestimable losses.

Negotiated purchases and sales of coal began the earliest. Over the past 2 years, as the extrabudgetary coal supply increased, negotiated prices dropped. Now rolled steel is in the shortest supply. However, as people have vied with one another to purchase and store rolled steel, rolled steel is most seriously stockpiled at various levels. Centralized distribution cannot increase the supply of steel, but it may cause small local steel plants to reduce their production. Only by establishing rolled steel trade markets widely and unblocking the channels of its circulation can we attract stockpiled rolled steel back into the market, alleviate somewhat the supply situation of rolled steel, stop the continuous rise in negotiated prices, and even cause prices to fall a little. Of course, the fundamental method for reducing the negotiated prices of rolled steel is to reduce the scale of capital construction.



In 1981, we reduced the scale of our capital construction and substantially reduced steel imports in 1981 and 1982. At that time, the stock of steel in our warehouses also dropped substantially. Only under such conditions can the prices of rolled steel stabilize.

Last year the state took the initiative to decontrol food prices and implemented market mechanism regulation in the state commercial sector. This was a brave move in our structural reform. Many foreign specialists have pointed out that the question of whether we are able to readjust our irrational prices is a key to the success or failure of our country's economic structural reform. According to the experience gained by Eastern European countries in their reform, decontrolling food prices is risky business in price reform. As soon as food prices are decontrolled, they will rise by 100-300 percent and thus cause social turbulence. Our country started relatively early in this area. In 1979, it took the initiative to readjust food prices. This has played a certain alleviating role in reducing the rise in food prices when they were decontrolled this time. In both 1979 and 1985, the state paid subsidies to staff members and workers as compensation for the rise in food prices and raised the wages of staff and workers, thus preventing most urban people's living standards from being lowered because of the rise in food prices. The decontrol of prices has resulted in a substantial increase in the supply of food. In the coming few years, the supply will continue to increase, which is the most fundamental guarantee for improving living standards. As the prices of foodstuffs rose and as the sharp increase in purchasing power pushed up the prices of certain articles of daily use, the general price level rose by 9 percent in 1985. The prices even rose greatly in our large and medium-sized cities. This was rare in our country, but it was understandable. Many experienced foreign specialists hold that by smoothly decontrolling the prices of foodstuffs, we have scored a heartening achievement in our country's reform.

In 1985, in addition to price reform, our country carried out a reform in its wage system and thus relatively increased the wages of the staff and workers who were promoted to posts of great responsibility for many years but whose wages had not been correspondingly raised. This enabled our country's wage system to break away from many years of egalitarianism and begin to embark on an orbit of distribution according to labor. Because of runaway wage funds in 1984, we had to avoid an excessive expansion of wage funds in 1985. Therefore, like our price reform, wage reform was only a partial reform and could not be carried out to such an extent as to make our wage system entirely rational. The irrational price and wage systems are two "focuses of infection" in the body of our country's economy. They hinder the healthy development of our national economy. Last year we took heartening steps forward in these two areas and thus opened up ways for deepening future reform. The runaway bank credit and wage funds in 1984 created some obstacles to reform in these two areas in 1985, in particular to reform in our price management system; otherwise we would have been able to make even greater progress. In the coming 2 years, we should strive to improve our macroeconomic control, perfect the reform measures already adopted, enable our national economy to continue steady and harmonious development, and create even better conditions for deepening reform.

Over the past few years, we have not only enlivened our rural economy, but also invigorated our urban collective economy and a fairly large portion of our small state-owned enterprises. However, most of our thousands of large and medium-sized state-owned enterprises, the backbone of our national economy, are still encountering difficulties. Their growth rate has been substantially lower than that of our urban collective economy and even lower than that of our rural collective economy. It is a heartening fact that our urban and rural collective and individual economies are developing very quickly. This is an important reason for the economic prosperity in our urban and rural areas in the past few years.

However, if the development of our state-owned economy lags behind for a long time, it will be detrimental to consolidating its leadership position in our national economy. In order to solve this problem, we should unbind the hands and feet of our state-owned enterprises rather than binding the hands and feet of our collective and individual economies. In terms of funds, machinery, equipment, and technological and management personnel, our state-owned enterprises are far superior to the collective and individual economies. As long as we grant them the necessary decision-making power, they will have sufficient strength to compete with our collective and individual economies and will be able to develop at roughly the same growth rate as that of the collective and individual economies. This will play an important role not only in harmonizing the development of our entire national economy, but also in consolidating the dominant role of our state-owned economy.

In order to further promote our country's all-round economic structural reform with the focus on urban reform, I think that it is necessary to solve the following problems:

First, we should continue to perfect reform in our planning, financial, banking, material, price, labor, and wage systems; coordinate these reforms; and ensure the smooth implementation of our plan to expand the decision-making power of our large and medium-sized state-owned enterprises. We have already transferred downward the power over planning, but we have failed to coordinate it with reform in our spheres. Since the implementation of the second stage of the substitution of tax payments for profit delivery, as we have not yet completed the readjustment of prices, we still must frequently apply the means of tax readjustment to reduce the irrational phenomena of unequal burdens. Therefore, it is still hard to avoid punishing faster workers. Heavy taxes are imposed on our state-owned enterprises, light taxes are imposed on our collective enterprises, in particular town and township enterprises, and no taxes are generally imposed on most of our individual economic sector. This is a major reason why our thousands of large and medium-sized state-owned enterprises are developing slowly. In regard to material management, we continue to stress administrative distribution and neglect market exchanges. There is still too great a disparity between planned allocation of prices and prices based on negotiated purchases and sales. We have not yet widely established means of production exchange markets to facilitate the circulation of materials and goods. Some investment funds, some foreign exchange, and most allocated materials and goods are still controlled by relevant central departments. When allowing enterprises greater decision-making power, the localities and enterprises do not dare receive the power transferred to them for fear that they will not get their necessary share of investment funds, foreign exchange, and allocated materials and goods. They are willing to continue reliance on the state and eat out of the same big pot. Because of the two runaway phenomena, we have had to slow the reform in our price and wage systems. This in turn hinders our nation's economy from improving its administrative and managerial level in accordance with objective economic laws. It is necessary to strengthen our research into the above-mentioned problems and create conditions for gradually solving them.

Second, since we began enlivening our microeconomy, we have failed to correspondingly strengthen our macroeconomic control, thanks to our lack of experience. In the past, we exercised our macroeconomic control mainly through planning and fiscal policies. But since the implementation of the structural reform, we have relied on bank loans and funds in the hands of localities and enterprises (which should also be spent through the banks) for two-thirds of the investment in our fixed assets. Therefore, our banks have become the most important means of macroeconomic control. We have established a central bank in order to control the volume of currency issuance and the supply of bank credit and in order to prevent inflation. As our central bank is not yet perfect, in the fourth quarter of 1984 various specialized banks vied with one another to expand credit supply. This credit was mainly supplied to fund capital construction.



In 1985, we began to tighten credit and thus caused a lack of floating funds and difficulties to many enterprises. Therefore, we should not adopt the method of slamming the brakes on. While strictly controlling the investment in fixed assets, we should continue to ensure the normal operation of our industrial and agricultural production and normal commodity circulation. The central authorities have called on us to continue strict control of the scale of capital construction in the coming 2 years and also to appropriately control the growth of consumption funds in order to avoid the reemergence of a dislocation of the proportional relations of our national economy. This is imperative. We must strive to improve and perfect the means and methods of macroeconomic control.

The 12th National CPC Congress has introduced the magnificent goal of quadrupling our industrial and agricultural production in 20 years and pointed out that during the first 10 years, the growth rate should be a little lower in order to satisfactorily lay a foundation for economic reinvigoration in the latter 10 years. During the first 4 years, the growth rate of our industrial and agricultural production was already at least 8 percent, with an industrial growth rate greater than 10 percent. This was substantially higher than the growth rate (7 percent) required by quadrupling in 20 years. Because of the macroeconomic runaway phenomena, in the first three quarters of 1985 industrial production rose by over 20 percent. The town and township industry in southeastern coastal areas rose by 30-50 percent in 1984 and by an even greater percentage in 1985. This made the eastern areas where economic development was relatively slow feel uneasy and want to compete for a higher growth rate with eastern areas. This "overheated" development cannot last long. We should gradually reduce the "excessively high growth rate" to the normal level.

Third, if we take a deeper view, we should also point out that our economic management cadres (including central, local, and enterprise management cadres) still have inadequate quality and still fail to meet implementation demands of the two basic state policies of opening up to the outside world and enlivening the domestic economy. It is entirely understandable that many localities, departments, and enterprises demand quicker development in their economy. However, on the whole, this will cause the total demand to exceed the total supply. As a result, it is impossible to realize this subjective desire and will moreover give rise to a certain degree of confusion in our economic order. We should carry out widespread propaganda and education about this in the future. In the past, many leading cadres in our large and medium-sized enterprises were used to "eating out of the same big pot" and were unwilling to undergo the risk of blazing new trails. Now they have been replaced by a number of young cadres who have greater courage to explore the way. However, it is still possible for some of the young cadres to act rashly and blindly because of their lack of experience and thus cause losses to the state. As a result, practicing the idea of "enterprises shouldering sole responsibility for their profits and losses" will in fact end up in enterprises shouldering responsibility only for their profits but not for their losses. In addition, since they were granted decision-making power, some cadres have not striven to reform the internal administration and management of their enterprises or open up markets for their products abroad, but have taken advantage of the loopholes in our financial system, made private profits at the expense of public interests, or indiscriminately increased prices to harm consumer interests. Therefore, from a long term point of view, in order to complete the economic structural reform, we must strive to improve the quality of our economic cadres at all levels. Of course, we cannot achieve this within a couple of years. However, we should not stop making progress because of this. While stepping up the selection and training of our cadres, we should allow them to learn to swim in the great oceans. Our leading organs should give them correct guidance in a timely manner.

It is inevitable that an all-round reform in our economic structure will encounter many difficulties, but a small number of comrades doubt the reform measures in the past year and a small number of comrades even think that our reform has been a failure.



Our country's current economic situation has been much discussed abroad, and generally speaking, foreigners are relatively optimistic about our reform. In early September 1985, the Chinese Economic Structural Reform Research Institute, the China Academy of Sciences, and the World Bank cooperated with one another to invite economists and economic specialists from Western countries and Eastern European countries to hold an "international symposium on macroeconomic management" on board the yacht Bashan, along the Three Gorges of the Chang Jiang. Before the symposium, Premier Zhao Ziyang kindly met specialists and scholars from various countries and very frankly briefed them on the achievements scored and difficulties encountered in our country's economic structural reform, thus providing a good beginning for the symposium. During the week of discussions, all the scholars and specialists from various countries spoke highly of our country's reform achievements and unanimously held that it was to certain extent unavoidable for the recently emerging economic difficulties to occur. Almost all countries have encountered such difficulties at home during the periods of their major reform. They pointed out that in the economy of a socialist economy, there is always a tendency of "overheated" development and at all levels of the economy of the country there is an "investment hunger." This tendency is often aggravated by the excessively high growth targets formulated in its plan. As a result, it often pushes up inflation and causes a shortage of materials and goods and an imbalance in economic growth. In handling the current situation, we should see the fundamental cause for the "overheated" development. Some administrative measures are indispensable in the short run, but we should take care not to let them hinder the progress that will enable us to radically solve the problems.

In spite of their different experiences and understanding, the 10 scholars from countries of different social systems, all people of authority in their countries and even in the world, held basically identical opinions on the economic problems that China is faced with at present. This can be regarded as a most noteworthy phenomenon in this discussion. The scholars from Eastern European socialist countries frankly admitted that they had encountered even more serious difficulties than ours in their reform, but difficulties have not wavered their resolution to carry on with reform. Except for the United States, all Western countries encountered serious economic difficulties after World War II. At that time, there was a materials and goods shortage, and they also adopted administrative methods of control such as supplying goods by rationing and paying subsidies. Therefore, they have personally experienced the difficulties that may emerge when such administrative measures are abolished.

The scholars from various countries made many valuable suggestions concerning our country's macroeconomic management, financial policies, wage control, money and credit control, financial market, and so on. These suggestions are worth our reference. This symposium strengthened the confidence in our country's structural reform among attending Chinese scholars; it may very well have strengthened the confidence of scholars from various countries in China's structural reform.

The path is arduous, but the prospects are bright. We will surely be able to achieve a victory of historic significance in the world. This is our conclusion.

#### LIAOWANG OUTLINES MAJOR ECONOMIC TASKS FOR 1986

HK110433 Beijing LIAOWANG in Chinese No 4, 27 Jan 86 p 5

[Article by Lu Zhongyun: "The principal Tasks of Economic Work for This Year"]

[Text] This reporter has learned the following from the national economic work conference.

According to the arrangement of the CPC Central Committee and State Council and the principle of "consolidation, digestion, supplementation, and improvement," our country's economic goals for this year are: to improve our macroeconomic control, adopt appropriate policies of relaxation in the light of different conditions in different areas, satisfactorily arrange production, and ensure the continuous, sustained, stable, and harmonious development of our national economy. Following are the five major aspects of this work:

1. Persist in carrying out reform and further invigorate our enterprises.

Invigorating our enterprises is a major step in expanding the state's financial resources, increasing its strength, stabilizing the economy, and harmonizing development. Major indicators for the invigoration of enterprises are: satisfactory economic results and large contributions to the state; fine product quality, low consumption, a relatively large contribution by technology; and the production of marketable products that meet demand in the market; an ability to undertake self-transformation and development and to reserve strength; adherence to socialist orientation, a correct work style, good prevailing practices in factories; and a corresponding improvement in the livelihood of staff and workers based on the development of production.

From the point of view of the whole country, only a small number of enterprises have actually been invigorated thus far. We should continue to implement the State Council's "provisional regulations on certain questions concerning invigorating large and medium-sized state-owned enterprises," and further enliven our large and medium-sized enterprises. The State Council has decided that this year we should appropriately reduce the enterprise readjustment tax and increase the rate of depreciation. The increased depreciation funds are to be spent mainly in enterprise technological transformation and should not be used to increase consumption funds. We should firmly put an end to the incorrect practice of indiscriminately apportioning expenses to, imposing charges on, and fining enterprises. In the future, whenever an area or department issues a mandatory planned production target to an enterprise, it should correspondingly provide the major raw materials, energy, and transport facilities needed.

2. Satisfactorily organize production and circulation.

In the future, we should continue to satisfactorily handle relationships between growth rate and economic results, output and quality, production and market, and domestic sales and exports. This should be done around the central task of improving our economic results. There should be a gradual process of alleviation for our country's economy in order to switch from an excessively high growth rate to a normal growth rate. Under the precondition of continuing to maintain our production growth rates and achieving a coordinated increase in tax payments, profits and financial revenue, all areas and departments should organize their production and set their growth rate in the manner of seeking truth from facts, taking into consideration both state plans and actual conditions in their areas and departments.

Over the past few years, our urban and rural purchasing power has risen relatively sharply. There has been a relatively great disparity between the volume of commodities that we are able to supply and our social purchasing power. This year we should adopt diverse measures to solve contradictions between supply and demand. Our industry should vigorously increase production of marketable consumer goods for daily use, do its best to develop more high-grade durable consumer goods of fine quality and well-known brands and pay particular attention to the production of small commodities. Our agriculture should satisfactorily grasp the production of meat, eggs, poultry, vegetables, and other foodstuffs in order to satisfy urban demand.

Our electric power, petroleum, and coal industries should strive to tap their potential, increase their production capacity, and further ease the energy shortage in our country. We should step up our production of iron, steel, nonferrous metals, chemicals, building materials, and other raw materials. In accordance with the principle of "making all-round arrangements, taking into consideration both passenger and cargo transport and satisfying the demand of key projects while not neglecting normal demands," our communications and transport industry should conscientiously develop coordinated transport, container transport, heavy-load train transport, and lighter transport and fulfill its passenger and cargo transport tasks in an all-round manner.

3. Continue to satisfactorily do work related to the technological progress of our enterprises.

In carrying out technological transformation, we should focus on our large and medium-sized enterprises, the backbone enterprises that play an exemplary and leading role in the technological progress of their lines of industry, and the enterprises that undertake export tasks. In the coming 5 years, we should strive to gradually carry out technological transformation in more than 50 percent of our large and medium-sized enterprises. This will be a major step bearing on our reserve strength for economic development in the nineties.

We should complete on time the technological transformation projects that we have already decided to implement and obtain a return on the investment as soon as possible. We should satisfactorily grasp new products, regard them as a leading factor, and promote the substitution of a new generation of products through the development of technology by developing technology in production processes and popularizing the application of new technology. In light of our capacity to handle foreign payments, we should continue to do a good job of importing advanced technology and key equipment, switch our focus to assimilating, developing, and popularizing imported technology and hasten the process of substituting domestic products for exports.

4. Strengthen enterprise management.

We should conduct all-round quality control and strive to make it truly effective. We should strive to reduce our consumption of energy and raw materials, establish modern management in a planned and systematic manner, impose technological, labor, financial, and economic discipline, and do a good job in production safety and labor and environmental protection. We should continue to grasp the work of switching from losses to profits, eliminate losses caused by poor management, and pay attention to applying legal means in managing our economy.

5. Persist in simultaneously grasping the construction of the two civilizations and improve the quality of our contingent of staff and workers.

In order to build a revolutionary modern contingent of staff and workers, we should adhere to the principle of giving priority to ideological work, strengthen our ideological and political work, and earnestly solve actual work and living problems of our staff and workers. We should also do a good job of training staff and workers in the light of actual needs.

Starting this year, we shall spend about 3 years training by rotation members of leading groups in our large and medium-sized enterprises. We should continue to satisfactorily grasp the rotation training of the directors of economic committees of our various provinces, regions, and municipalities and of our major industrial cities.



We should persist to the bitter end in conducting unified examination of our factory directors (managers) and step up the training of the chief engineers, chief economists, chief accountants and party committee secretaries of our large and medium-sized enterprises. At the same time, we should do a good job of providing technological and vocational training for staff and workers with clear aims and gradually restore and perfect the promotion systems for technicians and workers, including unified examination for the latter.

#### STANDARDS FOR DRAFTING ECONOMIC LAWS OUTLINED

HK120125 Hong Kong LIAOWANG OVERSEAS EDITION No 4, 27 Jan 86 pp 9-10

[Article by Wang Zhengming, responsible person of the General Office of the Economic Law and Regulations Research Center under the State Council and secretary general of China Economic Law Research Society: "China is Drafting an Economic Legislative Program During the Seventh 5-Year Plan"]

[Text] The CPC Central Committee proposal for the Seventh 5-Year Plan for national economic and social development explicitly points out that we should strive to establish a comparatively complete economic legislative system during the period of the Seventh 5-Year Plan.

The Economic Law and Regulations Research Center under the State Council is organizing experts of the relevant fields and cadres in charge of economic legislation to study the problem of drafting the economic legislative "program" during the period of the Seventh 5-Year Plan. At present, the state is gradually turning direct control over economic management into indirect control. Such a "program" aimed at establishing a comparatively complete economic system will lay down more principles governing economic relations and economic activities in legal terms so that various economic activities will be based on law. In so doing, law and regulations will become important means for regulating economic relations and activities. This will also ensure the smooth progress of economic structural reform during the Seventh 5-Year Plan and the successful accomplishment of the economic development targets for the Seventh 5-Year Plan.

At present, a method of integrating the views of leaders with the opinion of the masses is being adopted in the process of drafting such an economic legislative "program." On the basis of widely carrying forward democracy and pooling the wisdom of the masses, people are encouraged to repeatedly discuss and amend the draft. The third draft has now been completed. The draft "program" emphasizes the following three aspects:

#### Promoting and Ensuring a Profound Development of the Economic Structural Reform

Economic laws and regulations are important tools used by the state to lead the reform and ensure its smooth progress. Though enacting relevant laws and regulations, the state will make clear which kinds of work are allowed and protected by the law, and which kinds of work are prohibited and should be punished according to the law. Due to the normal functions of the law and regulations, people will consciously carry out various kinds of economic activities in accordance with the requirements of the state. On a macroeconomic level, this will ensure the success of management and administration, and microeconomically guarantee the achievements in opening up to the outside world and enlivening the domestic economy. In so doing, reform will progress in an orderly way.

Various departments and localities have put forward many proposals on legislation in this regard.

For example, as far as agriculture is concerned, during the period of the Seventh 5-Year Plan, we should continue to improve and develop management methods such as household contract responsibility system according to output, and others, and expand various kinds of cooperative and joint business operations. We should promote the rationalization of rural production setups, and maintain the steady increase of grain output. We should encourage peasants to run town and township enterprises. We should promote the continuous enhancement of the level of agricultural production technology and economic results. We should increase the supply of chemical fertilizer, farm chemicals, and agricultural machinery. We should also do well in water and soil conservation, the improvement of agricultural ecological environment, and so on. To this end, we should study the problems of enacting regulations on the rural contract responsibility system according to output, regulations on agricultural contracts, law on town and township enterprises, and regulations on the rural cooperative economic organizations, agricultural mechanization, administration of farm chemicals, administration of fertilizer, agricultural enterprises (farms) grain law, the protection of cultivated land, the development, administration, and protection of the mountain regions, the administration of the fodder industry, and so on.

As far as industrial enterprises are concerned, during the period of the Seventh 5-Year Plan we should take both internal and external measures to invigorate enterprises, large and medium-sized enterprises in particular, and further streamline administrative organizations and delegate power. We should gradually improve the tax system to create relatively fair conditions for competition among various kinds of enterprises. We should improve various kinds of internal responsibility systems in enterprises. We should strengthen technical reform in existing enterprises and equip various national economic departments with advanced technology and facilities. Some small-scale enterprises under ownership by the whole people can be transferred to the collectives or individuals through contracting or leasing. For this reason, it is necessary to study the problem of enacting the law on state-operated industrial enterprises, the law on enterprise bankruptcy, and regulations on the economic responsibility system inside enterprises, the administration of trades and services, administration of public bidding, transferring small-scale enterprises under ownership by the whole people to the collectives or individuals based on leasing or contracting, technical reform of enterprises, awarding technical progress of enterprises, awarding manufacturing of new products, and so on.

With regard to the planning system reform, we should consciously use the law governing planned and proportional development and the law of value in order to keep in line with the requirement of gradually working out a completely new planning and administrative system during the period of the Seventh 5-Year Plan. We should also study the problem of enacting regulations on mandatory planning, regulations on guidance planning, the law on investment in fixed assets, and so on.

With regard to gradually improving the socialist planned commodity market system, during the Seventh 5-Year Plan we should not only continue to expand and further enliven the consumer goods market, but also further relax and do well in promoting a market for means of production. In the meantime, we should gradually open up and develop the capital and technology markets to exert the pressure of the market competition on enterprises. We should improve the socialist planned commodity market, and give play to the role of competition in selecting the best and eliminating the worst, and the role of various economic levers. In this connection, we should amend regulations on the administration of the industrial goods and means of production markets, and study the problem of enacting law on prohibiting illegal transactions, law on protecting the interests of consumers, on the responsibility of manufacturing products, regulations on the administration of the technology market, and so on.

## Promote and Further Ensure the Implementation of the Policy of Opening Up to the Outside World

During the period of the Seventh 5-Year Plan, we should further implement the policy of opening up to the outside world. In accordance with the principle of independence, equality, and mutual benefit, we should strengthen and develop economic and trade contacts and technical exchanges with foreign countries, actively make use of foreign capital and import advanced technology. We need to enact a number of laws and regulations in this regard in order to promote and ensure further implementation of the policy of opening up to the outside world.

For example, with regard to economic and trade relations with foreign countries, during the period of the Seventh 5-Year Plan, we should actively open up new markets and establish and expand trade contacts with various countries in the world. We should actively organize and expand sources of goods for export and establish various kinds of export-oriented commodity bases. In this connection, we should study the problems of enacting law on foreign trade, law on inspecting and examining import and export commodities, and the issues of amending the regulations on the administration of compensation trade, and regulations on the administration of processing on order.

With regard to the import of foreign capital, we should welcome foreign firms to China to run Sino-foreign joint ventures, cooperative enterprises and wholly foreign-owned enterprises, especially those technology-intensive enterprises and export-oriented enterprises which can earn foreign exchange. We should exert more effort to make use of foreign capital in a balanced and systematic way, guide the correct use of foreign capital, and create a still better investment environment for foreign investors. For this reason, we should firmly grasp the work of enacting law on Sino-foreign cooperation in running enterprises, law on foreign-owned enterprises, and regulations on material supply and labor administration of Sino-foreign joint ventures and foreign-owned enterprises.

As far as technical exchanges are concerned, during the period of the Seventh 5-Year Plan we should continue to actively import foreign advanced technology, strengthen macro-economic guidance and administration of the import of technology and do well in absorbing imported foreign technology. We should avoid blind or overlapping import of foreign technology, and change the situation where the import of foreign technology is out of step with research work and actual development at home. We should also promote exporting our technology. In this connection, we should study the problems of enacting administrative regulations on importing foreign advanced technology, administrative regulations on the import of intellectual resources, administrative regulations on the export of technology, and so on.

With regard to doing well in administering forward regions for opening up to the outside world, during the period of the Seventh 5-Year Plan special economic zones, and cities and regions opening up to the outside world should readjust their industrial set-ups in accordance with the needs of export so that more commodities will be exported to the international market. We should do well in the construction and development of these areas. We should study the issue of enacting the law on special economic zones, regulations on the regions for economic and technical development, and so on.

## Support and Speed the Development of Some Key Projects Decided by the State

Economic law is a fundamental law. It directly governs the economic base and is an effective means for promoting the development of productive forces.



To ensure priority and rapid development of the key projects during the period of the Seventh 5-Year Plan, it is necessary to enact laws on vigorously developing and supporting these projects.

For example, as far as the development of the consumer goods industry concerned, it is necessary for us to study the work of enacting regulations on supporting the food industry, clothing industry, and durable goods industry, because they are key industries which bring along the development of the production of consumer goods industry as a whole.

With regard to the development of energy, communications, and raw and semifinished materials industries, we should arouse the enthusiasm of the departments concerned in developing these industries. We should study the issues of enacting the new regulations on the development and utilization of energy resources, developing products which can conserve energy, promoting electric power industry, promoting automobile industry, railway law, aviation law, highway law, and so on.

With regard to the development of tertiary industry, we should study the issues of enacting regulations on promoting information services, commercial law, and regulations on supporting the development of commerce and service trades in the regions inhabited by minority nationalities.

As far as technical progress is concerned, we should study the issues of enacting regulations on promoting the development of the integrated circuit industry, and the computer industry, regulations on the development of astronautics technology, and so on.

Apart from the legislation on the three main aspects mentioned above, we should enact relevant laws and regulations governing important economic regulating means such as credits, price, tax and so on, as well as important supervisory means including auditing, industrial and business administration, statistics, measuring, standardization, and so on. In so doing, we will ensure that these economic regulatory and supervisory means will play their effective roles.

During the period of the Seventh 5-Year Plan, apart from strengthening the work of economic legislation, we should also grasp well the work of popularizing legal knowledge, strengthen the implementation of economic law, administer well various links such as judicature, supervision, feedback, research, and so on. We should establish a relevant comprehensive system. We should strengthen the work of examining the results of enforcing the laws and regulations, follow the recent trends of development, and promptly analyze and study the information and feedback. Therefore, noted scientist Qian Xuesen's idea of establishing a systematic Chinese legal system based on the systems, control, and information theories is completely correct.

#### HISTORY OF LEARNING FOREIGN SKILLS DISCUSSED

HK120935 Beijing RENMIN RIBAO in Chinese 31 Jan 86 p 5

[Article by Xia Dongyuan: "On 'Learning Foreigners' Skills'"]

[Text] The Change From Opposing "Learning Foreigners Skills To Invigorate China" to "Learning Foreigners Skills"

"Learning foreigners skills" originated from Wei Yuan's statement "Learning the strong points of foreigners skills with an aim to check the foreigners." This slogan was first proposed through political and military practice in the course of the Opium War when resisting British invasion.

On the eve of the Opium War, the emperor and ministers of the Qing Dynasty were used to presenting themselves as the greatest in the world. They resolutely opposed "learning foreigners skills to invigorate China," and always held that the Chinese should be an "example" for "foreigners" to follow. Should anyone want to "learn foreigners skills," that would be regarded as treason and heresy. During the Opium War, foreign rifles and guns dealt heavy blows to the archaically equipped Chinese Army. This caused Lin Zexu, who fought at the front and was a rather enlightened man, to come to see that the main causes of their defeat were the "poor weapons" and the "lack of skills" of the Chinese Army. In order to conquer the enemy, it was imperative to acquire "good weapons" and "skillfulness" apart from "boldness and unity." He believed that if the Chinese had acquired munitions on a par with the foreigners, "there would not be any problems in overcoming the enemy."

Thus progressive politicians and thinkers such as Lin Zexu and Wei Yuan, gradually formed the concept: In order to "check" the foreigners, it was imperative to rapidly catch up with them in weaponry. The only way was to "learn foreigners skills," by learning from Western capitalist countries their advanced science and technology and military technology in particular. The change from closing the country to international intercourse, to the proposal of "learning foreigners skills" should be considered an important ideological one, in which progressive Chinese gave expression to their desire to change China's backwardness, and to change China's poverty and weakness into prosperity and power. Of course, people would welcome the idea of "checking the foreigners," but to "learn foreigners skills" to achieve that end would mean to violate the traditional, long-standing practice of closing the country, and the conceitedness of the Qing Dynasty. Such a concept was inevitably looked upon as departing from the classic and rebelling against orthodoxy and came under attack from all the stubbornly refused any international intercourse," holding themselves in high esteem while looking down upon others. However, learning the advanced science and technology of foreign countries in order to change the backward features of China was, after all, an irresistible trend of historical development. An ideological trend of learning foreign knowledge gradually took shape in Chinese society.

"Sizhouzhi" [0934 1558 1807], edited and translated into Chinese by Lin Zexu in 1840 and "Haiguo Tuzhi" [3189 0948 0956 1897], written by Wei Yuan in 1842 were representative of enlightened works during this ideological trend. In both their books, the idea of "learning foreigners skills" was stressed. Wei Yuan, in particular, even assumed: it is necessary to import western technical equipment, and to build shipyards. While building warships, merchant ships should constantly be built. It is necessary to build ordnance factories and, apart from manufacturing munitions, equipment for civilian use should also be manufactured. At the same time, merchants should be encouraged to make investments in building factories to produce industrial goods. If Wei Yuan's tentative ideas had been put into practice, not only would the enemy have been overcome on the battlefields, but competition with foreigners would also have been carried out on the world markets.

In the wake of "Sizhouzhi" and "Haigou Tuzhi," works on foreign affairs and western capitalism kept emerging, for example, Liang Tingtong's "Haiguo Sishou" [3189 0948 0934 6141] written in 1844, Yao Ying's "Kangyou Jixing" [1660 ---- 4764 5887] written in 1886, Xu Jishe's "Yinghuan Zhilue" [3467 1403 1807 3970] written in 1848, and, a little later, Xia Xie's "Zhongxi Jishi" [0022 6007 4764 4764 0057]. These books cover a rather wide scope, such as social custom, political systems, culture and education, but focus mainly on introducing western technologies, and stress that China should hurry to learn them. That China must change and must "learn foreigners skills," was the conclusion. However, it was not until the rise of the Westernization Movement in the early 1860s that such an understanding and conclusion came to be put into practice.

It was then that the entrepreneurs of the Westernization movement began to build industrial enterprises for military and civilian use with imported technological equipment, such as Jiangnan manufacturing bureau and Fujian shipyard, as well as other industrial enterprises such as steamship, telegram, textiles and mining. In the course of the Westernization movement, the Westernization school felt deeply that through practice in developing modern industry, nothing would be accomplished without iron and steel.

Therefore, in the early 1890s, apart from a new-type converter built in the steel workshop under the Jiangnan manufacturing bureau, an iron and steel combine industry, with Hanyang iron works as the center, engaged in coal and iron mining and iron smelting, the first of its kind in Asia, was initiated at the same time. (It was not until 1897 that Japan set up its first iron workshop) Between 1893 and 1904, when the former was put into production, the highest annual output was 2,059 tons, and the lowest annual output was 10 tons. While the latter had a production capacity of 30,000 tons, its actual annual output never exceeded 10,000 tons between 1893, when it was put into production and 1896, when it became civilian-run. The Westernization movement was the first modernization movement in modern Chinese history which promoted the creation and development of capitalism, and has been universally acknowledged by academic circles. Despite its successes in some respects, the Westernization movement did not fulfill the expected targets and therefore, generally speaking, it was a failure.

From Learning Western Skills to Learning From Japan's Experiences in Learning From the West

The tentative idea of "learning foreigners skills" inevitably leads to the pursuit of keeping abreast of Western advanced countries. That was the ideal Wei Yuan had dreamt of and mentioned in "Learning the Strong Points of Foreigners Skills" -- the "people's wisdom will become greater and greater with the atmosphere of opening up getting stronger, then people in the East will be on par with those in the West" ["Chou Hai, Chapter Three: A Debate," "Haiguo Tuzhi" Vol II]. Here, the "East" referred chiefly to China, but not restrictively. At least, countries such as Japan were included. When the idea of "learning foreigners skills" was on the agenda for being put into practice, there was also an upsurge of learning from Western advanced countries in Japan; the 1868 Meiji Restoration was a symbol of this. Practice has proven that in learning from the West, Japan had more marked results than China, the more so at the turn of the century. Therefore, some progressive Chinese thinkers and politicians with keen political insight further proposed the idea of learning from Japan.

What were the results of Japan's learning from the West? Apart from the fact of setting up a political assembly, somewhat resembling to the parliaments of Western capitalist countries, their economic system and the principles for learning science and technology were comparatively rational. Those people who cared for national affairs, such as Shen Yukuei, who was in charge of Zhongxi College, Shanghai and the newspaper WANGUO GONGBAO, noted the results of Japan's assemblage "for the discussion of important affairs," and showed admiration that "everything thrives in Japan, and the country has gradually become modernized". Other thinkers and entrepreneurs of the modernization movement were trying to find the root causes of Japan's economic prosperity. Among them were some who made rather systematic and incisive observations; the most representative among them was Zheng Guanying, a patriotic thinker and enterprise manager. Based on his own experiences in running a modernized enterprise, Zheng believed that there were many relevant things in Japan's experiences.

First, the relationship between the authorities and the merchants. He said: "In studying Japan's conditions... it has followed the example of Western countries, trying hard to invigorate itself.



"The authorities have ordered their local officials to do their best to imitate the production of all foreign goods, and to encourage the merchants to collect funds in shares to build factories to manufacture them... the merchants have the initiative in their hands concerning all regulations, and they are protected by the authorities from interference. Thus full-scale reconstruction is under way." In short, this encouraged the merchants to collect funds in shares and to run the enterprises by themselves, while the authorities protected them, fulfilling the target of "following the example of Western countries." Second, the principle of "following the example of the West." Zheng Guangzhong made a comprehensive generalization. He said: "Japan has drawn every lesson from China in commercial affairs, while following the example of Western countries in everything. Japan has taken China as a negative example, while giving preference to the West. The Western countries have expended great efforts in research and experiments to accomplish their results in science and technology, and it was easy for Japan to copy them" ("Shangzhan," Vol III). For these reasons, Japan scored remarkable results in learning from the West.

In Zheng Guanying's opinion, if Japan had scored such marked results, why should China not "change its usual practice and learn foreigners skills as a temporary measures"? If we should learn from foreigners skills, discarding their shortcomings while adopting their strong points, it would be very easy to surpass them with China's vast territory, rich natural resources, large population, and tremendous wealth" (ibid.) At that time, the level of Japan's economic development was not much higher than China's. Zheng might have underestimated the difficulties by saying "it would be very easy to surpass them." However, it would not be too difficult to keep abreast of them. Zheng's reference to Japan, his advocacy to learn from the Japanese, and the idea that "the Western countries have expended great efforts in research and experiments to accomplish their results in science and technology, and it was easy for Japan to copy them" is commendable. China might take the easy way of "copying" the West as did the Japanese. Of course, learning from Japan means learning chiefly from its experiences in scoring accomplishments when following the example of the West, but not "learning their skills."

Zheng Guanying's contemporaries and the progressive thinkers and politicians who came after him, such as Wang Tao, He Oi, and even those representatives of the 1898 reformists such as Kang Youwei and Liang Qichao of the modernization group, had all shared the concept of learning from Japan in "following the example of the West." Thus, an upsurge of going abroad to study in Japan gradually took place. The number of students going to Japan at the turn of the century was as great as over 10,000. Sun Yat-sen expressed his view of "turning to learning foreigners skills" at a welcome meeting in his honor held by Chinese students studying in Tokyo, Japan, in 1905. He said: "The purpose of your coming to Japan is to absorb its civilization. However, Japanese civilization is not innate in itself. Japanese civilization was first taken from the Chinese. Later, Japan followed the example of the Western countries. If China is capable of applying its own civilization, it will not be surprising for it to surpass Japan" ("Minbao" issue No 1, pp 70-71). This is in unanimity with Zheng Guanying's statement, namely that of learning from Japan with an aim to "surpass Japan." That was both practical and feasible at that time.

#### The Wish of "Surpassing Them" Was Far From Being Fulfilled

"Surpassing them" has two implications. First, it refers to "learning from Japan," as in the statement of Zheng Guanying and Sun Yat-sen. Second, it refers to catching up with and surpassing Western capitalist countries. Japan at that time was more advanced than China, but was falling far behind Europe and the United States. "Surpassing Japan" was only the first step; the target was surpassing the West.

All the thinkers and politicians who were bent on invigorating the Chinese nation in modern Chinese history shared the same wish. Wei Yuan's dream that "people of the East will be on a par with those in the West" has served as a typical illustration for "catching up with the West." The explicit proposal of "learning foreigners skills" was first put forth by Feng Guifen. He said: Regarding foreigners skills, "First, we will learn from them, then we will be on a par with them, and lastly, we will surpass them," was that China abounded in intelligent people. Feng had a clear idea of the purpose of "learning foreigners skills," namely, "using foreigners skills for the sake of resisting foreigners." This was in unanimity with Wei Yuan's view "we want to learn foreigners skills because they are strong. In other words, we must check the foreigners because they are strong."

The modernization school held the same view. Among them was Zuo Zhongtang, universally acknowledged by academic circles as a patriot despite his suppressing the people. When initiating the Fujian shipbuilding administrative bureau, he drew up a practical plan for "learning foreigners skills," and "surpassing the Westerners." The first step was imitation in production, order to gain technical expertise. According to him, "it is better to hire than to borrow, better to buy than to hire, and better to build on one's own than to buy." This is because either hiring or buying "would only help the moment's needs," while building one's own was a lasting principle. Zuo Zhongtang saw clearly that foreigners would often "be proud of themselves for their merits in comparison with our shortcomings, for what they have in comparison with what we have not." He believed that only by building on our own what we did not have would it be possible to change this situation. The second step was "surpassing Westerners" through creation. Zuo Zhongtang came to understand that imitation was like "holding an axe-handle to make the handle of another axe." One got nothing more than both axe-handles the same length. If one wanted to master the complete principles of production, one must master mathematics, and the knowledge of science and technology (quoted from "Collected Works of Zuo Wenxiangong, Letters" Vol 8 p 63). Only when we have a command of the knowledge of science and technology will it be possible for us to practice and to be able to create. And only with creation will it be possible for us to "surpass the foreigners." Therefore, as soon as the shipbuilding administrative bureau was set up, a shipbuilding administrative school was instituted, and people were sent abroad to study.

He said really: If we go on like this, "we can master what Westerners are capable of doing," and "practice makes perfect; who knows if we are to surpass the Westerners?" Zuo Zhongtang did have extraordinary foresight and intelligence on "learning foreigners skills." Regarding "surpassing the Westerners," if we say Feng Guifen was the first to advocate it, Zuo Zhongtang was the first to attempt to put it into practice.

At the turn of the 20th century, "surpassing the Westerners" became the universal wish to advanced personalities, and Sun Yat-sen in particular. In his speech delivered to Japanese students studying in Tokyo on 13 August 1905, he said: "China is not only capable of surpassing Japan," and he believed that it would not be too difficult to "surpass" Europe and the United States based on his personal experiences traveling in those parts of the world. According to him: "In a decade or two, China will master all the civilizations of the West, and it is not entirely impossible to surpass them" ("Minbao" issue No 1 p 71).

At that time, it was not too difficult to "surpass" Japan, but to surpass Europe and the United States in a decade or two, would be impossible from an economic angle alone, not to mention the political factor; anyway it was a beautiful wish from Sun Yat-sen.

However, the history of the 110 years since the Opium War has demonstrated that the beautiful dream of advanced personalitis is far from being fulfilled. Regarding the West, the gap is too great for China "to be on a par with them," and it is even more remote to "surpass" them, while the gap between China and Japan has become wider and wider. What were the causes? There were many; basically, it was a failure in realizing reform of the social system, mainly the political system. On this issue, advanced personalities in modern Chinese history were aware of it. Wei Yuan and Liang Tingtong showed their admiration for the United States' democratic system saying that "it will pass on from one generation to another, doing no harm." Feng Guifen drew the comparison that "the ruling and the rules are not so separated; in this aspect, China is falling behind the foreigners." And Zheng Guanying made the strong demand that "it is imperative to set up a parliament if China is to become prosperous." Public opinion on this issue, brewed over several decades, led to the 1898 Reform Movement headed by Kang Youwei and Liang Qichao, aiming at implementation of a constitutional monarchy, but this movement lasted only 100 days and failed. It was followed by the revolution of 1911 led by Sun Yat-sen. Although that revolution overthrew the autocracy of the Qing Dynasty and founded a republic, the semicolonial and semifeudal social system did not change. Then, there were the wars of the warlords, the fascist rule of the KMT reactionaries, and the grave impedence to the development of productive forces of imperialism, feudalism and bureaucrat-capitalism. It was impossible to do a good job in "following the Westerners example," not to speak of "being on a par with them" and "surpassing them." Historically, this mission has fallen to the Marxists.

Led by the CPC, the Chinese people overthrew the three big mountains weighing on them and founded the PRC. Over the past 3 decades and more, China has made great developments in its economic construction and science and technology. Under the guidance of the party's correct line and principles, we are certainly able to gradually realize the magnificent target of socialist modernization.

#### OFFICIAL REVIEWS SCIENCE, TECHNOLOGY REFORM

OW132122 Beijing XINHUA Domestic Service in Chinese 0804 GMT 13 Feb 86

[By reporter Zhang Jimin]

[Text] Beijing, 12 Feb (XINHUA) -- The first year of our comprehensive reform in the science and technology management system was 1985. How did we do in this year? A responsible person of the State Science and Technology Commission recently told this reporter that the practice over the past year shows we have already taken a major step forward in reforming the science and technology management system, that the reform's direction has been correct and its course wholesome, and that an unprecedentedly lively situation, in which the scientific and technological work is oriented to the economic construction, has emerged. He reviewed the following remarkable changes occurring in scientific and technological work as a result of the reform:

-- Technology markets are thriving across the country. Technological achievements are universally acknowledged by society and circulated as commodities. This has not only changed the old concept that belittled knowledge, but also facilitated the transformation of scientific research projects into production. As of the end of 1985, the total transactions in trading technological achievements stood at 1.77 billion yuan, and most of the deals were made between scientific research institutions and small and medium-sized enterprises or village and town enterprises.



-- Scientific research institutions have increased their own income while trying to provide more social benefit through transferring technologies and offering technological consultations. According to statistics, in 1985 there were 1,900 research institutions throughout the country engaged in technology development through contracts, constituting 40 percent of the independent scientific research institutions at and above the prefectural or city level, and topping the 1984 number by 27 percent. Among them, 360 were able to independently support their expenditures, doubling the number of those who did in 1984. A sample survey shows that scientific research institutions at and above the prefectural or city level throughout the country earned 900 million yuan through technology transfer, technological consultations, and development of new products last year. This figure, which is double that of 1984, constitutes 47 percent of the operational expenses appropriated by the state of these research institutional in 1985.

-- A large number of important scientific and technological achievements have received awards. Last year, a total of 10,476 projects were appraised as important scientific and technological achievements and given awards by all provinces, autonomous regions, municipalities, and ministries and commissions under the State Council, whereas during the first 4 years of the Sixth 5-Year Plan period, only an average of 5,631 projects with the same level of achievements received awards annually. Besides, the State Science and Technology Commission presented the state invention award of 185 scientific and technological research projects, and it approved and issued the state scientific and technological progress award to 1,772 projects last year. The direct benefits earned by these projects totalled 33.4 billion yuan.

-- Great headway has been made in combining scientific research with production. More and more scientific research institutions and production units have carried out technical co-management or formed all kinds of combinations of scientific research with production for the purpose of developing new technologies, thus promoting closer contacts between research and production units. As of the end of last year, there were 9,768 associations throughout the country that combined research with production, nearly quadrupling the figure of those in 1984. Among them, 778 were joined by research institutions affiliated to ministries and commissions under the State Council, and 8,990 by local scientific research institutions.

-- The movement of scientific and technological personnel has become more rational. According to surveys, as of the end of last year, research institutions of local departments [min kou 3046 0656] at and above the prefectural or city level released a total of 20,602 staff members and workers while absorbing 17,295 during the whole year. Although the net release was a small number of 3,307, the trend was heartening, as big cities released more and absorbed less, while countries, townships, and towns released less and absorbed more.

-- The average age of members of leading bodies of research institutions has become younger. Surveys indicate that 49.7 percent of the members of leading bodies of research institutes are in their 40's, and large numbers of young and middle-aged scientific and technical personnel have assumed leading posts in scientific research.

#### HU YAOBANG LAUDS PLA FOR DEVELOPING DACHEN DAO

OW131141 Beijing XINHUA Domestic Service in Chinese 0755 GMT 13 Feb 86

[Newsletter by XINHUA reporter Wu Dongfeng: "Dachen Dao and the People's Army"]

[Excerpts] Hangzhou, 13 Feb (XINHUA) -- On New Year's Eve, Wang Qichang, a resident of Dachen Dao, sobbed when he heard the voice of his sister, from whom he had been separated for 30 years, coming from the other side of the Pacific, the United States.

As he picked up the telephone, he might not have known that the People's Army had braved stormy waves and had worked a whole year to install a submarine cable connecting the island with the mainland.

Last year, a new generation of People's Army personnel threw themselves into construction projects for developing Dachen Dao. Last year, when word spread that preparations were under way to build a tidal power station, artillery troops immediately offered their observation records on tidal conditions; the model airplane squad sent in their hydrological survey data; and technicians of the infantry unit helped in a topographic survey.

Toward the end of December 1985, Comrade Hu Yaobang made an inspection tour of Dachen Dao. He said: The credit for the prosperity on Dachen Dao goes first to the PLA and second to the veterans of the land reclamation teams. The general secretary's words represent praise and encouragement for the commanders and fighters stationed on the island.

#### FORMER CENTRAL ADVISORY COMMISSION MEMBER DIES

OW132225 Beijing XINHUA Domestic Service in Chinese 1157 GMT 13 Feb 86

[Text] Hohhot, 13 Feb (XINHUA) -- Kui Bi, former member of the CPC Central Advisory Commission and chairman of the Nei Monggol Regional CPPCC Committee, died of illness on 7 February in Hohhot despite all medical treatment. He was 82.

A mongolian, Kui Bi was a native of Tumd Left Banner, Nei Monggol Autonomous Region. He joined the Socialist Youth League of China in 1924 and became a CPC member in 1925. He filled a number of positions, including vice chairman of the Suiyuan Provincial People's Government, deputy secretary of the Nei Monggol Regional CPC Committee, Supervisory Commission secretary and Secretariat member of the Nei Monggol Regional CPC Committee, and vice chairman of the Nei Monggol Regional People's Government. He was also a delegate to the Seventh CPC National Congress, alternate member of the Eighth CPC Central Committee, deputy to the First, Second, and Third NPC's, and member of the Fifth NPC Standing Committee.

HUANG HUANG AT ANHUI MEETING TO GREET EXPERTS

OW131311 Hefei ANHUI RIBAO in Chinese 2 Feb 86 p 1

[By reporters Chen Ying and Xu Ming]

[Excerpts] The provincial scientific and technological association ceremoniously held a meeting at the Anhui theater yesterday morning to warmly greet 80 experts in the province who have engaged in the scientific and technological work for 50 years.

Huang Huang, Wang Yuzhao, Lu Rongjing, Meng Fulin, Liu Guangcai, Cui Jianxiao, Zhang Zuoyin, Zheng Rui, Kang Zhijie, Yang Jike, Sun Zongrong, Zheng Jiaqi, and other leading comrades of the provincial party and government organizations were present at the meeting to extend sincere greetings to them. On behalf of the provincial party committee and provincial government, Wang Yuzhao, deputy secretary of the provincial party committee and governor, delivered a glowing speech at the meeting.

FUJIAN CONGRESS SESSION STRESSES LAND CONTROL

OW131428 Fuzhou FUJIAN RIBAO in Chinese 31 Jan 86 p 1

[Text] Indiscriminate occupation and abuse of lands has become a serious problem in our province, and strengthening land control is a task of great urgency. This important subject was discussed at the 17th Session of the 6th Fujian Provincial People's Congress Standing Committee.

Lin Guitang, director of the provincial Agricultural Department, said in his report to the session: By the end of 1984, the province had only 19,194,000 mu of cultivated area, a drop of 3,325,000 mu from 1956, a peak year in terms of cultivated area. This means that since 1957 the province's cultivated area has been reduced by 111,600 mu annually, which is equivalent to the cultivated area of a small county. By the end of 1984, the province's cultivated area was only 0.72 mu per capita, less than half of the national average and ranking second from the bottom in China. He said that the cultivated area was reduced partly because of lands requisitioned for necessary construction projects. However, a considerable part of the land has been indiscriminately occupied or used. Major forms of illegal occupation and wasting of lands are: illegal buying and selling of lands for extraordinary profits; occupying more land than requisitioned and allowed or requesting land without putting it to good use; using lands without prior requisition procedures; exceeding one's authority in approving land requisition or dispensing with requisition procedures altogether; and so forth.

After hearing Lin Guitang's report, members of the Standing Committee earnestly discussed land control in our province. The session pointed out that land occupation exists to a serious degree in our province. Leadership at all levels should pay serious attention to and solve this problem without delay. Our province has insufficient grain, so land protection is most important. We should make greater efforts to publicize the importance and urgency of land protection to arouse the attention of all of society. We should halt indiscriminate occupation and use of land as well as illegal buying and selling of land in the course of rectifying party work style and social conduct.

The session stressed: With regard to land control, we should currently pay special attention to solving the problem that laws are not observed or enforced. Selling or buying land violates the Constitution and law. This must not be treated as ordinary unhealthy tendencies are. Instead it should be dealt with in accordance with the law. Efforts should be made to perfect local land management regulations at an early date. At the same time, we should also adopt supplementary administrative, economic, and technical measures.



Members of the Standing Committee held that it is necessary to strengthen organizational leadership over this work. A unified land management organ should be set up at an early date to take charge of survey, development, utilization, planning, and management of land resources. We must change the situation in which authorities in many departments and at various levels have the right to approve land requisition but not one takes any responsibility when something goes wrong.

The session also contended that efforts should be made to raise the land utilization rate and to avoid requisitioning cultivated land as much as possible. Requisitioning land is an objective requirement for the development of various undertakings. However, we can improve planning and make careful calculations. In housing development, we should use hillsides or build high-rise apartments. Moreover, the various localities should also try to expand areas under cultivation and transform low-yielding lands.

#### LI PENG VISITS JIANGSU MICROELECTRONICS COMPANY

OW131411 Nanjing XINHUA RIBAO in Chinese 1 Feb 86 p 1

[By reporter Guo Zujin]

[Text] (XINHUA RIBAO report) The state has approved expansion of the Wuxi Microelectronics Research and Production Corporation and decided that a microelectronics industrial base should be built in Wuxi City during the Seventh 5-Year Plan. Li Peng, member of the Political Bureau of the CPC Central Committee and vice premier of the State Council, recently inspected this corporation. During his visit, he urged cadres, workers, scientists, and technicians to chart a new course for the development of China's electronics industry and strive to gradually achieve the goal of producing electronics parts domestically.

The Wuxi Microelectronics Research and Production Corporation was set up in June 1985 under the sponsorship of the Jiangnan Radio Equipment Plant and the Wuxi Microelectronics Research Center under the Ministry of Electronics Industry. Because of their technical resources, production equipment, and good geographical location, the corporation, in addition to producing calculators, communication apparatus, and consumer electronics goods, has achieved fairly good progress in carrying out technical research for the mass production of large integrated circuits. In accordance with the state's needs and the principle of importing, digesting, and developing foreign technology and bringing forth new ideas, the corporation is a complex for research, development, production, and education and consists of major semiconductor equipment plants and relevant institutes of higher education in Jiangsu. It hopes that, with the combined resources of electronics and associated industries in Jiangsu and Wuxi, all forms of cooperation can be organized to study and develop large or very large integrated circuits. The corporation has also decided that it will develop a number of new products that can be used in production and daily life and will strive to attain advanced world level in terms of the rate of finished products as well as the quality, reliability, and competitiveness of their products.

#### JIANGSU CUTS POPULATION GROWTH, ILLITERACY RATE

OW140812 Beijing XINHUA in English 0724 GMT 14 Feb 86

[Text] Beijing, February 14 (XINHUA) -- The annual population growth in Jiangsu Province has fallen by 0.25 percent to 0.75 percent -- well below the national average -- over the past three years, according to HEALTH NEWS. And the province's illiteracy rate (the proportion of people over 12 years old who cannot read or write) has been lowered from 27.3 percent to 24.6 percent, said the newspaper, quoting Jiangsu Provincial Statistical Bureau figures.

China's overall population growth rate was 1.45 percent in 1981, and 31.9 percent of people over 12 were illiterate. Since then, the authorities have taken steps to cut both rates.

In Jiangsu, the proportions of people working in agriculture, industry and service trades are also changing quickly. The proportions in the three sectors were 56:32:12 last year compared with 66:25:9 in 1982 as a result of rapid economic growth and industrial readjustments.

Jiangsu Province has a population of more than 60 million people. Statisticians believe that population patterns in Jiangsu might indicate national trends.

#### JIANGXI'S WAN SHAOFEN GREET'S SPRING FESTIVAL

OW090809 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 8 Feb 86

[Spring Festival radio talks by Wan Shaofen, secretary of the Jiangxi Provincial CPC Committee: "Vigorously Accomplish the Goals of Struggle for 1986"]

[Excerpts] The 1986 Spring Festival has arrived. While bidding goodbye to the old year and welcoming the new one, I would like, on behalf of the provincial CPC Committee and the provincial people's government, to extend my holiday greetings to the province's workers, peasants, intellectuals, cadres, and PLA commanders and fighters who are working hard on the forefront; to the veteran comrades, retired cadres, families of servicemen and martyrs, and disabled revolutionary soldiers who have made positive contributions to the revolution; and to the Taiwan compatriots in our province, the family members of people who have gone to Taiwan, returned Overseas Chinese, families of Overseas Chinese, and the foreign experts and scholars and their families who have come to Jiangxi to help us. I would also like to extend my greetings to those comrades who are working at various posts during the holidays.

In the past year, our province, as the entire nation, has been both stable and united politically; our economy has achieved sustained, steady, and coordinated growth; our economic construction has taken a giant step forward; and our industrial and agricultural growth rates have for the first time slightly surpassed the national average.

These achievements were the fruits of party and government departments, military personnel, and the people of the entire province in resolutely implementing the party's line, principles, and policies; in persistently carrying out reform; and in uniting to work hard under the leadership of the party Central Committee. We are happy to see a sharp decline in the passive and pessimistic attitude among cadres and masses of underestimating their capabilities and thinking that Jiangxi can never catch up with other regions. We are also happy to see a vigorous strengthening of the attitude and viewpoint of loving Jiangxi and building and revitalizing Jiangxi, and that Jiangxi has great potential, prospects, and hopes. This is a valuable ideological foundation and a great spiritual force for revitalizing Jiangxi.

Jiangxi is endowed with rich natural resources, a glorious revolutionary tradition, some 34 million industrious and brave people, and a firm foundation, all of which have enabled us to fulfill our Sixth 5-Year Plan. In the next 5 years, we will accelerate our pace of construction.

Nineteen eighty-six is a year for laying the foundation of the Seventh 5-Year Plan. We must continue to implement the guidelines of the eighth provincial conference of party delegates, and Comrade Hu Yaobang's general guiding ideology and principle of "one 'slightly higher' and two 'more bolds'" for our province. Our province's economic growth rate this year must continue to be a notch higher than the national average.

Our province's total industrial output and gross national product must increase 7 percent over the previous year. We must persist in reform and implement the eight-character policy of consolidation, digestion, supplementation, and development of various undertakings in our province.

Comrades, while promoting socialist material construction, we must also do a good job in promoting socialist spiritual construction, particularly in correcting our party style. We must resolutely put an end to and correct unhealthy tendencies within the party. Our party has confidence, determination, resources, and courage in correcting unhealthy tendencies. Since the National Conference of Party Delegates, the party Central Committee has issued a series of important documents and regulations. Party organizations, party members, and cadres must seriously study the important directives and talks of the party Central Committee and the leaders of the central organs, enhance their understanding, take positive action, and make concrete efforts in correcting unhealthy tendencies. We must advocate using one's authority to work for the good of all but must resolutely oppose the abuse of power to seek private gains. We must always put the interests of the party and the people above everything else, and firmly establish the concept of serving basic-level units and the masses. We must take the initiative in rendering high-quality and effective service to others. We must eliminate bureaucratic practices. Party organizations at all levels must do a good job in promoting education concerning the legal system and in inspecting the implementation of the legal system and discipline. We must dare to investigate and handle cases violating law and discipline, particularly major ones. It does not matter who is involved; we must never tolerate them. Everyone is equal before party discipline and state law.

Our party cadres, especially leading cadres and those of provincial-level organs, must set a good example in fostering new customs and habits, in handling matters impartially, and in improving party work style. I hope that all comrades inside and outside the party will boldly contribute to improving our party work style and social conduct.

Comrades, we must firmly carry out the party Central Committee's line, principles, and policies. We must further expand our achievements, rectify our shortcomings, keep in mind the interests of the whole, promote unity, upgrade work efficiency, and compete with one another in making contributions. We must carry forward the spirit of boldly overcoming difficulties and making sacrifices, carry forward our good work style and fine traditions, strive to accomplish our tasks for 1986, and work very hard to build a new Jiangxi that is economically, culturally, scientifically, and technologically developed.

Comrades, I call on those who wish our motherland to be strong and its people prosperous, and wish to invigorate Jiangxi, to display their talents to realize their ideals.



HENAN LEADERS CELEBRATE SPRING FESTIVAL

HK120928 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 9 Feb 86

[Ecerpts] This morning, people from all walks of life gathered in the People's Hall of Henan to celebrate the Spring Festival. Among the participating provincial leading comrades were members of the provincial CPC Committee Yang Xizong, Liu Zhengwei, He Zhukang, Zhao Di, Lin Yinghai, Hou Zhiying, Song Zhaosu, and Yao Minxue; members of the provincial Advisory Commission Han Jingcao, Zhang Chia, Lin Xiao, Yue Xiaoxia, (Men Long), and Cui Guanghua; members of the Provincial People's Congress Standing Committee Zhang Shude Ji Hanxing, Din Shi, Wang Peiyu, Guo Peiyun, and Fan Lian; leaders of the provincial government Zhang Zhigang, Qin Kcai, Hu Ingji, and Hu Tiyun; leaders of the provincial military district Zhan Jingwu and (Dong Guoqing); leading comrades of the PLA units stationed in Henan (Hang Hui), (Jiang Weiham), and (Sun Shitong); members of the provincial CPPCC Song Yuxi, Ren Leiyuan, Zuo Mingshen, Duan Zongsan, Ding Zhenyu, and Tu Jiaji; Zhao Wenfu, a leading comrade who has withdrawn from the front line; chief leaders of various democratic parties in this province; and Hu Shujian and other party and government leaders of Zhengzhou City.

In his speech, He Zhukang, deputy secretary of the provincial CPC Committee and governor of Henan Province, said: The past year was one in which great achievements were made in the construction of socialist material and spiritual civilizations. Under the correct leadership of the CPC Central Committee and through the efforts of the people of nationalities in our province, a bumper harvest was reaped in agricultural production despite the serious natural calamities, and rapid development was achieved in industrial production. The market was brisk with rich varieties of commodities. The incomes of both rural and urban residents increased and their living standard was further improved. The reforms in the economic, science and technological, and educational fields were further carried out, and there was a continuous, steady, and harmonious development in the national economy as a whole. The situation was gratifying. Party rectification was carried out smoothly. As a result, party style and the entire social mood were gradually changed for the better, and a political situation characterized by stability and unity was further developed. People were happy, energetic, and full of confidence. In short, the current political and economic situation is one of the best since the founding of the People's Republic.

Comrade He Zhukang said: The year 1986 is the first of the Seventh 5-Year Plan and one of key importance in achieving a fundamental turn for the better in the party style and social mood. In the new year, we must endeavor to do a good job in the following four aspects: 1) Continue to put the reform in the forefront as to promote the social productive forces and accelerate the development of the socialist planned commodity economy; 2) make continuous efforts to do well in party rectification so as to straighten out party style; 3) effectively strengthen and improve ideological and political work and push forward the construction of socialist spiritual civilization; and 4) forcefully encourage the atmosphere of studying hard so as to acquire more knowledge and ability. (Dong Guoqing), political commissar of the provincial military district, also spoke at the gathering.

This morning, party and government leaders of Henan Province and Zhengzhou City Yang Xizong, Lou Zhengwei, He Zhukang, Yao Minxue, Hu Tiyun, (Deng Jianmin), (Shen Qiuping), and (Peng Jiashu) went to the No 2 and 4 cotton mills of Zhengzhou, and Zhengzhou dairy farm, Huayuankou in the northern suburbs of Zhengzhou, the construction site of the Huang He highway bridge, the Zijinshan department store, the butcher's shop at Huayuan Road, and the Zhongyuan country fair to greet cadres and workers there who were working during the festival.

HUBEI LEADERS STRESS CONTINUED PROGRESS

HK120930 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 9 Feb 86

[Excerpts] This morning, party and government leaders of Hubei Province and Wuhan City attended a Spring Festival gathering with soldiers and civilians in Wuhan. At about 0800, when NPC Vice Chairmen Wang Renzhong and Han Xianchu and party, government, and Army leaders of Hubei Province and Wuhan City arrived at the Hongshan gymnasium, people began to exchange Spring Festival greetings.

Guo Zhenqian, deputy secretary of the provincial CPC Committee and acting governor, delivered a speech at the gathering, extending congratulations to all on the occasion of the Spring Festival. He said: The past year was one in which the people of our province made great achievements in all fields under the leadership of the CPC Central Committee and the State Council. In the new year, we must conscientiously implement the spirit of the National Conference of Party Delegates, adhere to the four basic principles in accordance with the arrangements made by the provincial CPC Committee at its enlarged meeting last October, and work even harder to develop the good situation. We must continue to push forward the reform of the economic structure and the economic construction and make further efforts to make party style and the social mood turn for the better so that a good beginning can be created for the construction of the two civilizations during the Seventh 5-Year plan period.

Also present at today's gathering were leading comrades from the provincial CPC Committee, provincial Advisory Commission, provincial government, provincial People's Congress, provincial CPPCC, and provincial Discipline Inspection Commission Guan Guangfu, Qian Yunlu, Zhang Xueqi, Xu Daoqi, Huang Zhizhen, Han Ningfu, and Li Wei; Zhao Xinchu, member of the Central Advisory Commission in Wuhan; and others.

HUBEI RURAL BANKING SYSTEM BEING AUDITED

HK120926 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 10 Feb 86

[Text] Special auditing organs are being gradually set up and perfected in the province to standardize the management of the province's rural banking system.

Over the last few years, because of their failure to follow credit rules and regulations and to act according to the examination and approval limits, some agricultural banks and credit cooperatives have found it difficult to recover the excessive loans they extended. Some agricultural banks practiced fraud to varying degrees, illegally retained profits and used the profits that ought to have been handed over to the state for other purposes, ran their own independent businesses without authorization, wantonly distributed allowances both in cash and in kind, and carried out capital construction projects by abusing their power, thus expanding the scope of capital construction.

In order to rigorously enforce financial rules and regulations and to ensure the normal operation of the rural banking work, the provincial agricultural banks and credit cooperatives and their related agencies conscientiously reviewed both positive and negative experiences and began to set up special rural auditing organs. They also instituted and perfected the job responsibility system for auditing personnel and rules and regulations concerning joint meetings, reports, and the management of files of auditing work.

At present, agricultural banks at the provincial, prefectural, and county levels have set up 49 independent auditing organs with a staff of more than 1,900 auditing personnel.

MAO ZHIYONG SPEAKS AT HUNAN SPRING FESTIVAL

HK111444 Changsha Hunan Provincial Service in Mandarin 1100 GMT 9 Feb 86

[Excerpts] This morning, the provincial CPC Committee, Advisory Commission, Discipline Inspection Commission, Sixth People's Congress, government, CPPCC Committee, and provincial Military District jointly held a Spring Festival gathering in the assembly hall of the provincial military district. Wang Shoudao, Standing Committee member of the CPC Central Advisory Commission; Tao Zhiyue, vice chairman of the CPPCC National Committee; Chen Zhongying, former member of the CPPCC National Committee and ex-soldier of the Red Army; Zhou Li, former member of the CPC Central Advisory Commission and veteran cadre; and Mao Zhiyong, Xiong Qingquan, Liu Zheng, Liu Fusheng, Jiao Linyi, Cheng Xingling, Shi Xinshan, Jiang Jinliu, and other leaders of the Hunan Provincial Government and Changsha City Government happily gathered under the same roof to celebrate the festival.

Provincial CPC Secretary Mao Zhiyong spoke at the get-together. On behalf of the provincial CPC Committee, Advisory Commission, Discipline Inspection Commission, Sixth People's Congress, government, CPPCC Committee, and provincial military district, he extended cordial and holiday greetings to all workers, peasants, intellectuals, cadres, PLA units stationed in the province, commanders and fighters of provincial People's Armed Police Corps, members of every democratic party, people of the association of industry and commerce, nonparty personages, patriot of all circles, retired cadres, and comrades who have to work during the holidays in the province.

He said that in 1985, under the correct leadership of the CPC Central Committee and the State Council, every front and every department in the whole country did a lot of work. The building of the two civilizations has scored new achievements and both the political and economic situations are excellent. In the new year, we should continue to thoroughly carry out the spirit of the National Conference of Party Delegates, persist in grasping both the material and spiritual civilizations and giving the first priority to reform, and use reform to push forward the economic construction as a whole. We should do a good job in party rectification to bring along the building of the two civilizations and further consolidate and develop the excellent situation.

Finally, Mao Zhiyong hoped that all the people in the province will become united, overcome difficulties, forge ahead, and contribute to the building of the two civilizations in Hunan Province.

In the afternoon, leading cadres of the provincial CPC Committee and government such as Mao Zhiyong, Xiong Qingquan, Liu Zheng, Liu Fusheng, Sun Wensheng, Chen Bangzhu, Want Xiangtian, Jiang Jinliu, Dong Zhiwen, Xia Banzhong, Shen Ruiting, Li Jianguo, Cao Wenju, Yu Haichao, Yang Huiquan, and others, planned to go to grass-roots units to convey greetings to comrades who have to work during the holidays.



HEBEI ARTICLE ON PARTY MEMBERS' ERRONEOUS THOUGHTS

SK130702 Shijiazhuang HEBEI RIBAO in Chinese 28 Jan 86 p 3

[Article by contributing commentator: "Earnestly Remove the Inner Party Erroneous Thought of 'Distant Hope' and 'Practical Benefit'"]

[Text] At present, our party has found a way, in both theory and practice, through which communism can be realized in China. The way is to build socialism reflecting Chinese characteristics, with the overwhelming majority of party members able to exert all-out efforts to wage struggles by integrating theory with practice. However, there are few comrades whose communist ideals have weakened. The concrete indicators in this regard are as follows: 1) One is the thought of the so-called "distant hope" in which some have regarded communism as "unattainable" and "distant fancy" and have not known "when it can be realized." 2) The other is the thought of "practical benefit" in which some have said that "all ideals should be motivated interest," and that "all futures and plans should be aimed at making money." Some have even sought personal material interest unscrupulously by harming others and the public interest to benefit themselves, and have pursued personal gain by violating the law and discipline and bringing damage to personal and national prestige. The appearance of such a state of affairs is not accidental. Fundamentally speaking, it represents the reflections of some comrades who have been weak in theoretical preparations for the current historic period and not been able to withstand the ideological change cropping up in enforcing the open policy.

The two indicators of the weak theoretical preparations are as follows: 1) Some have not correctly understood the socialist society, and 2) they also have not correctly discerned the capitalist society. Following the victory in the democratic revolution, our party immediately led the people to carry out socialist revolution and construction. Therefore, a number of party members did not have much time to study the theories concerning socialist construction and incurred serious prejudices in understanding socialism and communism. Some have even harbored the native idea that all work and things will be ideal and smooth if we reach socialist society, and the beautiful heaven of communism can be realized without the least effort. Therefore, when our party has incurred setbacks and faults, particularly the serious setback of the "Great Cultural Revolution," these comrades have been seriously criticized ideologically because they thought that the Communist Party and the socialist society can incur such problems. As a result, they have doubted the realization of communist ideals. On the other hand, we knew so little in the past about the actual situation of the capitalist world. Some comrades learned about the corrosive dying imperialism only by reading books on Marxism and Leninism. As soon as the open policy was enforced a few years ago, and as soon as they discovered that the capitalist world is far different from what they have known, and can still make progress, they immediately started to doubt the scientific nature of communist theories. The two indicators of doubt mentioned above fully reflect the seriously poor approach to theories on the part of these comrades.

In eliminating the thought of "distant hope" in order to foster the firm ideals of communism, efforts should be made to earnestly study Marxism-Leninism-Mao Zedong Thought and to foster the firm world outlook of dialectical and historical materialism. By integrating theories with practice, we should be truly clear about the objective law in which social development toward communism is independent of man's will. Communism is our longer-term target, and, judging from the current development of socialism, it is by no means distant and indistinct. Only by dealing with this ideological problem can we constantly maintain a firm confidence in communism under any difficult circumstance and setback, and can the socialist society pave a broad way for realizing a communist society. However, socialist society still has the contradiction between productive forces and production relationships, and between the economic foundation and the superstructure, a contradiction that is complicated and sometimes becomes very sharp. Therefore, socialist society, as other human societies in the world, can still achieve progress, albeit along a tortuous road. We should also correctly sum up our experience gained in the past.

In building socialism in our country, we committed mistakes in the past and will still make mistakes in the future. However, the party and the state have always been able to discern and correct their mistakes and to push the socialist cause forward, no matter how serious the mistakes they have committed and how many complications they have encountered. This is because our party is a proletarian political body, is guided by Marxism, and engaged in the revolutionary movement by adopting communism as its ideological system and as its guidance. Only by persistently waging this movement will we be able to realize communism with certainty. Therefore, by no means should we lose our confidence in it just because the realization of the communist social system is a matter of the future, and regard communism as a "distant hope" just because the party has incurred serious inner problems and mistakes.

Capitalism still can make progress at present, particularly with regard to progress in the productive forces. However, the enhancement of monopoly undertaken by the capitalist countries and individuals has all the more shown that the private ownership of capitalism has become increasingly unsuitable to the development of the productive forces, and it will certainly be replaced by socialist public ownership. The productive forces of the major capitalist countries are greater than those of socialist countries, and such a state of affairs is caused by long-standing historical reasons. The lower productive forces of some socialist countries is the outcome of the unsound newly emerged socialist systems. Judging from this point, we cannot prove that capitalism is more superior than socialism. Lenin once said that capitalism and imperialism were corrosive and dying; by this, he meant the trend of development, and did not mean the date of capitalism's demise. Since the Renaissance, the capitalist thinkers have repeatedly pointed out that the feudal system will die out and that there will be a capitalist society after several hundred years. As of now, there is still feudalism in the world. In line with the facts, can we regard the prediction of bourgeois thinkers as unsuitable to the reality? The answer is no. Using the same line of reasoning, we cannot negate the scientific prediction on realizing communist systems, while capitalism is still making progress at present. The appearance and development of a series of socialist countries in the world and the communist movements that have occurred in capitalist countries have repeatedly shown the scientific character of communist theories. Therefore, suspicions regarding their character are unreasonable.

The appearance of the idea or thought of "practical benefit" is based on the ideological change cropping up in developing the commodity economy. In the past, our party was short of experience in leading the people to develop the commodity economy. During the democratic revolutionary period, the inner party life was a military type life. After beginning the building of socialism, our country has constantly enforced the intensively centralized and planned economy and never allowed the commodity economy to appear. The broad masses of party members, including cadres, have been short of the necessary study and knowledge of developing the commodity economy. Since the 3d Plenary Session of the 11th CPC Central Committee, the party has acknowledged that the socialist economy also comprises the planned commodity economy, begun to enforce the open policy in order to enliven the domestic economy, and enabled the law of value to play its important role in daily economic life. All of this has naturally affected the members of the party. Upon seeing a number of persons in the society rapidly become wealthy, some party members, therefore, have turned out the thought of "practical benefit" because they also intended to become wealthy.

The thought of "practical benefit" runs against the fundamental purpose of the party, which is to serve the people wholeheartedly and to realize communism in China. The basic character of Communist Party members is to be utterly devoted to others without any thought of self. Communist Party members should not seek personal gain and undue interest at any time. When encountering the contradiction cropping up between the interest of the individual and the interest of the party and the people, these members should sacrifice their personal interest without the slightest hesitation and sincerely abide by the interest of the party and the people.



Therefore, they should not seek personal enjoyment at any time. Communist Party members should not seek undue personal interest by turning a blind eye to the interest of the masses. In line with this principle, the thought of "practical benefit" is totally wrong. Comrades who have harbored such a thought should do a good job in thinking it over and reviewing the pledge they made upon entering the party. They should think over whether such thoughts and acts are in conformity with the glorious title of Communist Party members. Frankly speaking, our party does not need such members. If they do not earnestly correct their mistakes, these comrades can be very dangerous.

The ideological foundation of the idea of "practical benefit" is ultra-individualism, and represents the influence of bourgeois corrosive ideology. Persons, particularly the party's leading cadres, who have harbored such a thought and idea will naturally commit serious mistakes and even crimes. Leading cadres without communist ideals, who cannot make use of the communist world outlook to direct their own acts, will not be able to correctly implement the party's line, principles, and policies, and to successfully lead the masses in engaging in the program of building the four modernizations. Therefore, leading cadres must set forth strict demands for themselves in ideology and action and act according to the party's Constitution and the several guiding principles of inner-party political life.

#### HEBEI SECRETARY ON ENHANCING CADRES' QUALITY

SK140720 Shijiazhuang HEBEI RIBAO in Chinese 31 Jan 86 pp 1, 2

[Text] The 5-day conference of the prefectural and city CPC Committee secretaries concluded on the morning of 29 January. During the conference, the guidelines of the Central Rural Work Conference were relayed and implemented, and the participants discussed and studied the outlines of the guidelines for the 1986 work of the provincial CPC Committee and the provincial government.

Xing Chongzhi, secretary of the provincial CPC Committee, delivered a speech entitled "Make the Greatest Efforts To Upgrade the Quality of the Cadre Ranks" at the conclusion of the conference. He said that making efforts to upgrade the quality of the ranks of cadres is an important task facing the CPC committees at all levels as well as an important guarantee for a smooth implementation of the "Seventh 5-Year" Plan and for further progress of the "two civilizations."

After reviewing the gratifying political, ideological, organizational, and practical changes which have taken place in the ranks of cadres, Comrade Xing Chongzhi pointed out that viewed from the historical experiences of the party, the party cadres should confront the tasks of carrying on restudies and upgrading their understanding in a transitional period of historical development. Instead of following established forms, we should bravely make explorations and carry on restudies with regard to the ongoing four modernizations and economic reform which are regarded as brand-new undertakings in human history. Some new problems incompatible with the new situation have cropped up over the past few years since a large number of new cadres were admitted into the ranks of cadres. Simultaneously the ranks of cadres have confronted a new trial since our country carried out the policy of opening to the outside places. Comrade Mao Zedong called on us to guard against the bourgeoisie's attack with sugarcoated bullets at the Second Plenum of the Seventh CPC Central Committee. This passage is still of practical significance for guiding the current work of opening to the outside world and reform work in the new situation. At present, some political and ideological problems which should not be ignored still exist among the ranks of cadres. Some comrades with a bad mental attitude lack lofty ideals and show indifference to the party spirit. Some comrades fail to firmly foster the thinking of serving the people wholeheartedly, and take masters for public servants and public servants for masters. The ideological individualism, bureaucratic work style, and political liberalism of some comrades still find certain markets. Some comrades administratively seek good relations with everyone at the expense of principle.



Some of these comrades publicly ask for official titles, rights, and benefits from the party. If the party does not comply with their requests, they will make trouble. If they do not have chances to make trouble, they will lodge complaints against the party. If they have no chance to lodge complaints against the party, they will throw up their job. Some even regard the power entrusted by the party and the people as a means to unscrupulously seek private gains by cheating the state and damaging the collectives. Some seek honor, official positions, and money by making false reports and holding back unpleasant information. Some cadres have given up the party's principles to seek good relations with all and sundry. Some leading organs and leading cadres carry out bureaucracy to different degrees. Without knowing much about or having a thorough and correct understanding of the new situation and the new problems cropping up in the reform work and the work of opening to the outside world, some issue orders according to their imaginations. Some have brought great economic and political losses to the state and the people by neglecting their duties. Some cadres who are lax in organizational discipline seriously indulge in liberalism. Some cadres stick to their old ways of doing things to the neglect of the instructions, criticism, and persuasion of higher levels. Some cadres let out the party secrets, spread hearsay, and even start slanderous rumors. In addition, because some cadres pay no attention to the study of basic Marxist theory, their political and ideological level cannot be upgraded.

In his speech, Comrade Xing Chongzhi emphatically pointed out that the unhealthy practices of cadres may directly affect the party style. He said: Straightening out the cadres' thinking and work style is of decisive significance for effecting a fundamental turn for the better in party style. We must take effective measures for upgrading the quality of the ranks of the cadres to a new level.

First, the training and education of cadres should be carried out with great efforts. Cadres can be trained and educated chiefly through two ways. One is to study knowledge from books, and the other is to learn from practice. The propaganda and organization departments of the provincial CPC Committee and other CPC committees at various levels should formulate plans for the political and theoretical study of cadres, and all trades and professions should also work out their own training plans. Measures for the training should be flexible and based on reality. All levels should also map out lists of books, set forth requirements, and grasp well the daily study of cadres. The study of theory should be integrated with practice. On the basis of the actual conditions in the modernization drive, we should observe, analyze, discuss, and solve the realistic problems existing in reform and construction with the Marxist stand, viewpoint, and methods, and pay attention to transforming our world outlook. At the same time, we should guide the masses of cadres to actively plunge into the building of the two civilizations, to conduct investigations and study, and to receive training at selected units. The provincial CPC Committee has decided to organize and send office cadres to grass-roots levels to receive training. This system should be carried out persistently.

Second, we should enforce discipline strictly, and dare to pay attention to and cope with problems. To improve the competence of cadres, we should rely on both education and strict enforcement of discipline. Enforcement of discipline is also a means of education. A failure in enforcing discipline strictly, criticizing what should be criticized, and handling in a timely manner or with due sternness what should be handled is one of the important reasons for the problems, in particular unhealthy trends, presently existing in the cadre contingents, to which solutions have not been found over a long period of time. For this reason, we must persistently pay attention to education and discipline. Cadres, at whatever levels, who violate party or administrative discipline or laws must be duly punished, and never be tolerated. With regard to economic crimes, we should start with major and appalling cases, be all the more brave in uncovering, investigating, and handling those involving leading cadres and their children, and never be softhearted toward them.

Those who have continued to engage in unhealthy trends and have violated laws and discipline from 14 November 1985 when the provincial CPC Committee announced the "10 prohibitions" at a rally of cadres of organs should be dealt with sternly.

Third, the key to upgrading the competence of the cadre contingents lies in the attention to leading bodies. Leading bodies are the backbone of the cadre contingents. Only when leading bodies enhance their competence can they cultivate competent cadre contingents. Leading bodies at various levels, in particular those at and above the county level, should have both cadres proficient in the economy and management, and cadres familiar with the work concerning party affairs so that leading bodies as a whole can be upgraded. Members of leading bodies should be politically firm, have a strong sense of policies, possess correct party style, and a down-to-earth work attitude, be truly exemplary in every field, and set a good example for cadres with their exemplary deeds. In succeeding old comrades, young cadres should mainly take over their heroic spirit in struggles, and carry forward the party's fine traditions. In view of the situation in which leading bodies were getting older and had a rather low education level, we stressed the need to promote a group of young cadres with a college education level to leading bodies at and above the county level in the past 2 years, and this is totally necessary. In the future we will continue to pay attention to age and education. However, we should not one-sidedly emphasize diplomas and schooling, and mechanically apply the same age limit to all cadres. We should attach importance to schooling, but not to schooling alone, and should also emphasize actual work ability and performance. When using people, we should also pay attention to giving full play to their strong points and avoiding their weaknesses, and refrain from arbitrary "matchmaking," doing such a silly thing as to let "Li Kui plant flowers and Daiyu do carpentry."

Fourth, the cadre system should be further reformed and improved. Improvement of the cadres' competence depends on the guarantee provided by corresponding systems. Organization and personnel departments should have courage to explore, and push forward the reform of the cadre system. The systems governing the tenure of office, election, exchange, and personal responsibility of cadres, and the party's democratic life system should be established and gradually improved. From now on leading cadres should be promoted, retained, transferred, demoted or dismissed on the basis of their political integrity and ability, their performance, and levels. Old cadres should be able to assume higher or lower posts as required, and new cadres should all the more be able to do so, and the demands on them should be stricter. We should seize opportunities to establish the new practice of assuming higher or lower posts as required. Leading cadres that should be elected as stipulated in regulations must be elected. The system of fixed term of office should be experimented at pilot units and then gradually be applied widely. Some localities of our province have already tried out the cadre exchange system and achieved very good results. This year we should continue to carry out this system in a planned manner.

Fifth, actual merits should be emphasized when we promote and evaluate cadres. By emphasizing the actual work contributions of cadres, we mean to uphold the criterion of putting practice in the first place when promoting and evaluating cadres. The purpose of our launching the activities of making contributions among the cadres throughout the province is precisely to lead them to emulate scoring actual achievements in their work. At present in promoting and evaluating cadres, some units make decisions on praise or censure on the basis of their likes or dislikes, favor or resentment, and gains or losses. Some appraise cadres on the basis of their old impression about these cadres, the superficial phenomena without examining to see whether they are true or false, and gossip. Some shelve the cadres about whom there are so-called disputes instead of distinguishing right from wrong, showing a "cold shoulder" to those who should be used. Some pursue personal relations, deliberately promoting those within their "network of personal relations," and arbitrarily demoting those outside.

All these phenomena are a reflection of disregard for the actual contributions of cadres and violation of the principle of appointing people on their merits, and should be conscientiously corrected. There is also another phenomenon in which some cadres try only to avoid mistakes and not to score achievements, and, therefore, fail to make contributions to their work and open up a new prospect. Although these cadres are different from those who commit serious mistakes politically and economically, and in their lives, their acts represent a dereliction of duty, and they should be criticized and educated. If they assume leading posts, they should be removed, and never be allowed to sit tight on their "iron armchairs."

Comrade Xing Chongzhi concluded in his speech: The provincial CPC Committee urges other CPC committees at various levels to foster a strong sense of responsibility and urgency toward upgrading of the cadre contingents, be farsighted, and truly regard the building of the cadre contingents as the center of party building, and grasp it well. Organization, personnel, propaganda, and discipline inspection departments at various levels should consider the upgrading of the competence of the cadre contingents as their important task, serve as good advisers to CPC committees, and carry out their work in a down-to-earth manner. All departments and units should also exert concerted efforts to improve the competence of cadres.

#### SHANXI SECRETARY PAYS NEW YEAR CALLS ON WORKERS

HK120641 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 9 Feb 86

[Excerpts] Yesterday was the lunar new year's day.

Li Ligong, Wang Senhao and other leading comrades of the provincial CPC Committee, Advisory Commission and people's government separately paid new year calls on workers, cadres, engineers and technicians at their posts during the Spring Festival.

Li Ligong, secretary of the provincial CPC Committee; (Liu Dacai), a member of the provincial CPC Committee standing committee; and Yan Wuhong, vice governor of the provincial people's government went to the Taiyuan Gas Company, the Taiyuan Heat and Power Plant and the Taiyuan Coking Plant to console workers standing fast at their posts during the festival. They personally went down to the workshops to shake hands with workers and asked after their health with deep concern.

At the Taiyuan Gas Company, Comrade Li Ligong said: On behalf of the provincial CPC Committee and people's government, I wish all comrades a happy new year. You comrades stand fast on the forefront to ensure the gas supply to the people of Taiyuan City during the Spring Festival. You deserve credit.

At the Taiyuan Heat and Power Plant, Comrade Li Ligong asked workers about power supply during the Spring Festival and about their life. When he was told that there had been no power cut in Taiyuan City during the festival, he was very happy and expressed thanks to workers on behalf of all the people of Taiyuan City.



HEILONGJIANG MAKES PROGRESS IN MANAGING LAND

HK120217 Beijing RENMIN RIBAO in Chinese 2 Feb 86 p 2

[Report by XINHUA correspondent Xu Jiangshan: "Heilongjiang Province Makes Achievements in Managing Land According to Law"]

[Excerpts] The regulations and ordinances on land formulated by the state and local authorities have been resolutely implemented throughout Heilongjiang Province. Land control has been tightened and the illegal use of cultivated land for other purposes has basically been brought under control. The majority of over 1,500 land dispute cases have been settled in accordance with the law. Compared with 4 years ago, the amount of land used for other purposes last year declined, on the average, by 50 percent. The area of formerly abandoned land which was turned into farmland once again, and used for afforestation and fish breeding last year, amounted to 20 million mu.

While cracking down on malpractices in indiscriminately using land for other purposes, Heilongjiang Province also paid close attention to the standardization of land management and constantly improving its competence in managing land according to law. The province concentrated on conducting surveys on land resources, registering land-marks, and working out general plans for land use and for controlling land for rural residential use.

RENMIN RIBAO Commentator

HK120303 Beijing RENMIN RIBAO in Chinese 2 Feb 86 p 2

[Commentator's article: "Treasure Each Inch of Land"]

[Text] "Farmland cannot give birth to a child." The peasants of Shanduo village plainly stated the inability of cultivated land to regenerate this means of production, by using the term mentioned above. For this reason, they have greatly treasured land and adopted effective measures to put land under strict control. Although they have built hundreds of new houses, they have never ever used cultivated land for that purpose.

Man must have food to eat and food crops, melons, fruit, and vegetables are all products of the land. Both villagers and city dwellers understand this truth. However, understanding it is one thing and practicing it is another. When using cultivated land for house building, many localities, units, and individuals more often than not forget the truth, which is known even to women and children, about China's basic national condition; namely, that it has a huge population but limited usable land. Despite repeated injunctions by departments concerned the phenomena in which some localities indiscriminately use cultivated land for other purposes is getting more serious day by day rather than being checked. According to statistics, over the last 2 years cultivated land used for construction amounted to tens of millions of mu each year. If things are allowed to go unchecked, the consequences will be disastrous.

With the growth of the urban and rural economies, and the expansion of the scope for construction, it is impossible not to use cultivated land for other purposes. However, it is necessary to bring the reduction rate of cultivated land under strict control and to treasure and rationally use each inch of land. To achieve this objective, it is imperative to handle the relationship between feeding the population and construction, so that people will really understand the truth that only when people have enough to eat can construction be carried out. At the same time, it is also necessary to restrain the practice of indiscriminately using land resources for other purposes or wasting them, in accordance with the regulations and ordinances of land management as Heilongjiang Province has done.

Some people ask: Have new things not emerged in the world, such as cultivating crops in workshops without soil? This is true. However, it will take a considerably long time to apply advanced science and technology from laboratories to mass production. Even if this is achieved in the distant future, human beings always need large tracts of vast green country. Now and in the future, we must take effective measures to strictly control the arbitrary use of cultivated land for other purposes and protect cultivated land as far as possible. We must make vigorous efforts to spread the use of advanced science and technology and encourage the peasants to use well each inch of land and to continuously improve the output rate of land so as to make up for the losses of cultivated land which has to be used for construction.

HEILONGJIANG: PROBLEM OF EXCESSIVE BURDENS VIEWED

SK130341 Harbin HEILONGJIANG RIBAO in Chinese 29 Jan 86 p 2

[Article by Zhao Guozhen, director of the Heilongjiang Provincial Township Enterprise Bureau: "The Problem of Excessive Burdens on Township Enterprises Awaits an Urgent Solution"]

[Excerpts] In our efforts to lighten the burden on peasants, reducing the burden on township enterprises is also a major issue that should be carried out urgently in the current rural work. This is because reducing the burdens on township enterprises is an important component part of the endeavor to reduce the burden on peasants. Compared with the advanced provinces of the country, the township enterprises of our province are only in the initial stage. With a poor foundation to start with, they lack a solid base and the reserve strength for continuous development; and, moreover, their growth rate is far lower than the national average, is incompatible with the large-scale agricultural and forestry development of our province, and hinders the overall revitalization of the rural economy. It should be noted that some localities, instead of actively supporting township enterprise development, often impose a large irrational burden on township enterprises in disregard of their capability to bear it. In violation of the provincial government's regulation on the distribution of the profits of township enterprises, some have collected profits from enterprises in advance, or collected much more than they should.

Because of the numerous irrational burdens and poor management, township enterprises have very little funds of their own, yield small benefits, and are even heavily indebted. At present the fixed assets of the industrial enterprises at township and village levels are valued at merely about 1.2 billion yuan and their output value is less than 2 billion yuan, but their total amount of debts and credits is as high as 1.1 billion yuan, of which nearly 500 million yuan should be collected but have not been collected because most of it is occupied by townships, villages, and some cadres for a long period of time. According to an investigation of Tangyuan County, in 1984 their township enterprises had 3.7 million yuan of credits which could not be recalled. Of the sum, 1 million yuan was forcibly appropriated by towns and townships, and 1.2 million yuan in cash or materials was occupied by some township and village cadres. Township enterprises throughout the province have more than 600 million yuan of debts, of which 530 million yuan are bank loans. As a result, the circulating funds for their own use account for 16 percent of the total, and most of them support their production with loans. Among the 105 enterprises run by townships in Tangyuan County, only 21 have a small amount of circulating funds. This has seriously affected the sound development and the economic results of the township enterprises of our province. According to statistics, from 1980 to 1984 the average growth rate of the enterprises at the town and township, and the village levels throughout the country was 21 percent while that of our province was only 15 percent; the average increase in per-capita productivity of the country was 16.8 percent while that of our province 10.8 percent, ranking second from the bottom; the average amount of taxes and profits created by per 100 yuan in output value of the township enterprises throughout the country was 16.4 yuan while that of our province was 11.6 yuan;

and the average turnover period of the circulating funds of the township enterprises throughout the country was 114 days while that of our province was 270 days. This showed that the development of our township enterprises lags far behind that of the country. We can imagine what the consequences will be if this situation is left unchanged.

As township and village enterprises are developed by townships and villages, it is only natural for them to provide a certain amount of profits to townships and villages. However, it must be clarified that enterprises run by townships and villages are not possessed by townships and villages, still less are they the "countryyard economy" of township and village governments. They represent an economic undertaking jointly possessed by township and village peasants. Therefore, no township or village government should limitlessly, arbitrarily appropriate money or materials from enterprises. The provincial government has stipulated in explicit terms that the net profits of township enterprises should be distributed in such a way that 50 percent of them goes to enterprises, 30 of them goes to township governments, and the remaining 20 percent goes to township enterprise offices. It also clearly pointed out that the profits retained by enterprises themselves should be used chiefly in expanding production, and that township governments and township enterprise offices should also set aside a considerable amount of the profits they share for use in developing township enterprises in addition to supporting agriculture and developing other welfare undertakings.

Developing township enterprises has become a road we must take in revitalizing our province's rural economy. Their further development will bring about a marked social benefit to all fields. We should adhere to the principle of "actively supporting, correctly guiding, working out rational plans for and strengthening the management of" township enterprises as set forth by the CPC Central Committee to support their sustained, coordinated and sound development.

#### LIAONING: APPOINTMENTS, REMOVAL OF OFFICIALS REPORTED

SK071226 Shenyang LIAONING RIBAO in Chinese 23 Jan 86 p 1

[Text] On 22 January 1986, the 18th Standing Committee meeting of the 6th Liaoning Provincial People's Congress adopted a decision in line with the proposal made by Governor Quan Shuren on appointing Wen Shizhen [2429 0013 7201] to the post of vice governor of the Liaoning Provincial People's Government.

The meeting also decided to appoint Zou Benren [6760 2609 0088] chairman of the Financial and Economic Work Committee of the Liaoning Provincial People's Congress Standing Committee; Li Jun as chairman of the Liaoning Provincial Rural Work Committee; and Zhou Wenzhi [0719 2429 2535] as director of the Liaoning Provincial Water Resources and Electric Power Department.

The meeting also decided to relieve Shang Bin from the post of director of the Liaoning Provincial Water Resources and Electric Power Department and to appoint Fan Fangping [5400 2455 1627] as vice president of the Liaoning Provincial Higher People's Court.



QINGHAI LEADERS CALL ON PEOPLE IN NEW YEAR

HK121548 Xining Qinghai Provincial Service in Mandarin 2330 GMT 9 Feb 86

[Excerpts] On the first day of the Year of the Tiger, the first day of the lunar new year, provincial party and government leaders went to the countryside, factories, hospitals, and armed police units to extend season's greetings to the masses, cadres, and soldiers and wish them vigor and vitality in the Year of the Tiger so as to create a new situation in all fields.

Comrades Yin Kesheng and Bian Yaodong went to (Shangwuzhuang) Township, Huangzhong County, to call on more than 10 peasant households. In (Puai) Village, they were very interested in the Spring Festival couplet posted on gateposts of (Zhang Shenghai's) house. The couplet read: Facing the mountain which is our ready source of money; greeting the river which is our treasure bowl. Yin Kesheng said: This couplet is well written. To become rich, peasants must first rely on the party's policies and secondly on their ambition. They must take the road of becoming rich through their own efforts and according to local conditions. Yin Kesheng said: This year is the first year of the Seventh 5-Year Plan. While grasping grain production, it is necessary to vigorously develop a diversified economy. When learning that peasants at (Nafuzang) Village sold all the gold they extracted last year to the state, Yin Kesheng said delightedly: Good! You peasants are the masters of the country, and extracting gold should benefit the people.

Comrade Song Ruixiang went to the Xining steel plant to call on the workers who insisted on working during the Spring Festival.

On the first day of the lunar new year, Comrades Liu Feng, Huanjue Cailang, Zhao Haifeng, Han Fucui, Bainma Dandzin, and Wu Chengzhi also went to factories and transport companies to call on those who were on duty during the Spring Festival.

XINJIANG REPORT ON RURAL WORK, REFORM -- PART I

HK120915 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 3 Feb 86

[Excerpts] The regional CPC committee held a rural work conference in Urumqi from 22 January to 2 February. At the conference, the participants listened to a report given by Zhang Sixue, deputy secretary of the regional CPC committee, on relaying the spirit of the central rural work conference; studied the central leadership Document No 1 and important speeches given by central leading comrades Zhao Ziyang, Wang Li, Tian Jiyun, and Du Runsheng; and held enthusiastic discussions.

In connection with reality, they analyzed the current situation in the region's rural reform, rural economic situation, and the existing problems; and studied the tasks in the region's work in 1986 and the principles, policies, and important measures for fulfilling those tasks. At the conference, Tomur Dawamat, deputy secretary of the regional CPC committee and chairman of the regional government delivered a report entitled: "Further Implement Policies, Continue to Conduct In-Depth Reform, and Promote the Rural Economy To Develop Continuously, Steadily, and in a Coordinated Way." This report covers 11 issues. This Nongjiale [Peasants' Happiness] program will broadcast his report in four sections from today. In today's broadcast, we shall cover the first topic: the region's rural situation and tasks, and the second topic: further strengthen the fundamental role of agriculture and animal husbandry in the region's economy.

## I. The Region's Rural Situation and Tasks.

Over the past few years, under the guidance of four No 1 central documents, we have earnestly implemented a series of policies of the central leadership on rural reform, greatly unleashed the initiative of the broad masses of peasants, promoted the development of rural productive forces, and speeded up rural construction. The current situation in the region's rural areas is excellent. In 1985 we took a bold and steady step in the second-step reform in the region's rural areas. Great achievements have been made in the reform. The rural economy is moving toward comprehensive operation and coordinated development, and has switched from self-supporting and semi-self-supporting production to a relatively large-scale commodity production, and from the previous closed-type economy to the current open-type economy. The continuous growth of the rural economy has created favorable conditions for the reform and development of the whole economy. The characteristics of the region's rural economic development in 1985 are:

1. The rural production structure has been greatly readjusted. The farming structure is becoming more and more reasonable, which not only ensures a steady increase in the grain output, but also gives play to the region's superiority and develops the diversified economy. The percentage of grain-growing area in the total growing area decreased from 76 percent in 1978 to 64 percent in 1985. Despite a reduction of 7 million mu in grain-growing area in recent years, the per unit area grain yield increased by 145 jin or 67.7 percent. Therefore, the total grain output increased by 2.4 billion jin or 32 percent. The percentage of economic crop-growing area in the total growing area increased from the 12.5 percent in the past to 22.7 percent at present. In particular, the production of fruits and melons and horticulture developed rapidly. Animal husbandry has now been put in an important position in agriculture.
2. The system of monopolized and assigned purchase of agriculture products has been reformed. The rural economy has been enlivened and new development has been made in commodity economy.
3. Cooperative economy has been further consolidated and developed.
4. Marked progress has been made in science and technology in agriculture and animal husbandry. The level of scientific farming, scientific husbandry, and [words indistinct] has been upgraded.

It must particularly be pointed out that there were various serious natural disasters in the region last year. From winter 1984 to autumn 1985, the region was hit by storms, snow, frosts, floods, hailstones, sustained drought, and earthquake, much to the detriment of agricultural and animal husbandry production. Some 3.8 million mu of crops were affected by these natural disasters. About 1.1 million cattle were killed between winter 1984 and spring 1985. However, due to the party's policy for enriching the people, to the production responsibility system linked to output, to the consolidation and development of cooperative economy, to the progress in science and technology related to agriculture and animal husbandry, and to the joint efforts made by cadres and peasants of various nationalities, we have minimized the losses caused by the natural disasters and reaped bumper harvests for 8 years in succession. According to initial statistics, the region's total agricultural output value for 1985 is expected to reach some 5.02 billion yuan, an increase of 470 million yuan or 10.4 percent over 1984. Despite a reduction of 2.2 million mu in the grain-growing area, the region's total grain output for 1985 was about the same as 1984. The region's total cotton output for 1985 was about 4 million dan, an increase of 4 percent over 1984. The region's oil crop output for 1985 was 6 million dan, an increase of 38.8 percent over 1984. The region's water melon and muskmelon output for 1985 was 1.6 billion jin, an increase of 39 percent over 1984.

The total amount of livestock at the end of 1985 was 30.41 million head, an increase of 0.51 percent over 1984. The region produced 180,000 tons of beef, mutton, and pork in 1985, an increase of 5.6 percent over 1984. The region's fish output for 1985 was 9,000 tons, an increase of 27 percent over 1984. The region planted trees on 1.2 million mu of land, in 1985, an increase of 84.6 percent over 1984. The total income of the region's town and township enterprises for 1985 is expected to reach some 900 million yuan, an increase of 270 million yuan or 42.8 percent over 1984. The per capita annual income of rural people was 380 yuan and the region's total rural saving deposits amounted to some 1.35 billion yuan, both registering an increase over 1984.

The current situation in the region's rural areas is indeed excellent, but we should not overestimate the situation. On the whole, the region's agricultural foundation is poor; we cannot effectively resist natural disasters; and our production level is very low. Although peasants have upgraded their livelihood over the past few years, only a few of them have really become rich. Quite a number of peasants did not have enough to eat and wear. Peasants and herdsmen have heavy burdens. The phenomenon of arbitrarily apportioning and charging peasants can be seen everywhere. Some of the party's rural policies have yet to be implemented, perfected, and carried out in coordination with other aspects. We have failed to bring into full play the overall effect of policies. The meeting of urban and rural reforms have resulted in some disharmony. All the problems which we met in reform must be solved in further developing reform. The general requirement for the region's rural work this year is to implement policies, conduct in-depth reform, consolidate, digest, and supplement the achievements made in rural reform, preserve the good and remove the bad, and properly solve some prominent problems in the reform so as to achieve better results in the reform. It is necessary to further improve production conditions, and properly arrange pre-production and post-production service work. Meanwhile, it is necessary to conduct serious research and investigation to make various preparations for the next reform in rural areas and to promote continuous, steady and coordinated development of rural economy. The main tasks for the region's agricultural production in 1986 are: The region's grain output should exceed 10 billion jin or strive to reach 10.4 billion jin; the cotton output should reach 4.5 million dan and output of oil crops should reach 6 million dan; the region's beet output should reach 13 million dan; the region's livestock numbers should reach 40 million; the region's meat output should reach 215,000 tons; and the region should strive to grow grass or improve grassland on 5 million mu of land; the region should plant trees on 1.2 million mu of land; the total income of the region's town and township enterprises should reach 1.2 billion yuan; and the region should attempt to reap a bumper harvest for the 9th year in succession. This task is very glorious and arduous.

## II. Further Strengthen the Fundamental Role of Agriculture and Animal Husbandry in the Region's Economy

Treating agriculture as the basis in developing the national economy in China's long-term and unshakable strategic principle. This reflects not only the law of economy, but also the law of nature. This applies particularly to our Xinjiang, which is an underdeveloped area. Of the 13 million people in Xinjiang, more than 70 percent are peasants and herdsmen. Without the development of agriculture and animal husbandry, there will be no substantial economic development in Xinjiang, and it will be impossible for the people of various nationalities in Xinjiang to become really rich. The per capita arable land area of the region is much higher than the national average. The per capita grassland area of the region is more than 57 mu. The region's abundant natural resources in agriculture and animal husbandry are our biggest advantage. If all these natural resources can be effectively exploited and the region's resources superiority can be transformed to economic superiority, this will certainly create enormous material wealth for the people of various nationalities in Xinjiang and bring prosperity and plenty to Xinjiang.



PUNISHMENT OF SENIOR OFFICIALS' CHILDREN REPORTED

HK140522 Hong Kong TA KUNG PAO in Chinese 14 Feb 86 p 1

["Special Dispatch From Beijing": "Beijing Punishes Wicked Children of Senior Officials; Two Sons of Senior Cadres Sentenced to Death"]

[Text] "If a prince violates the law, he must be punished like an ordinary person." In order to consolidate the party's work style and social ethics, the CPC [crackdown] has "started in real earnest," as Hu Qili put it. The son of Hu Lijiao, chairman of the Standing Committee of Shanghai Municipal People's Congress; and the son of Chen Qiwu, former head of the Propaganda Department of Shanghai CPC Municipal Committee, have been sentenced to death for committing rascalism. Their appeals have been rejected.

At a meeting of the CPC Central Committee Political Bureau held on 17 January, CPC founding member Deng Xiaoping said that in order to rectify the unhealthy tendencies, "we should mainly rely on two means: first, education; and second, the law." In a speech delivered at the CPC Central Party School, Hu Qili also said that the promotion of the party's work style should not remain a slogan. It is imperative to act in earnest and not to be softhearted. We should arrest those criminals who should be arrested and put to death those who should be put to death according to law. At present, we should begin by cracking the major and important cases. In particular, we must break down resistance and carry the work through to the end in handling cases involving senior cadres and their children. We must punish one in order to warn many, so as to save a number of cadres.

Recently, in investigating and handling the major and important cases in every locality of the country, some high-ranking and powerful cadres have been punished according to law. It is learned that Wang Chun, the former vice mayor of Beijing, is now under investigation for economic problems. A number of suspect children of senior cadres have also been investigated by judicial organs. In addition to the recent widely rumored investigation of the children of General Ye Fei and Xiao Jingguang, the son of Hu Qiaomu was also investigated recently.

ZHONGGUO FAZHI BAO published by the Ministry of Justice has highly praised the actions being taken by the CPC, saying that it tallies with the party and people's feelings and deserves commendation. This newspaper also said that some leading party cadres who abominably abuse their power to seek personal gains and cause serious consequences must be punished severely without mercy, in the same way we brought Liu Qingshan and Zhang Zishan to justice in the 1950's. If we fail to do so, we cannot rectify the party's work style, warn others against following bad examples, and inspire the enthusiasm of the vast numbers of people for construction.

PAI HSING INTERVIEWS SHENZHEN'S LIANG XIANG

HK120111 Hong Kong PAI HSING in Chinese No 13, 1 Feb 86 pp 3-6

["Special Topic" by Zhang Jiefeng: "An Interview With Liang Xiang, Secretary of the Shenzhen City CPC Committee, on Shenzhen's Yesterday, Today, and Tomorrow" -- first three paragraphs are PAI HSING introduction]

[Text] We planned to interview Shenzhen City CPC Committee Secretary Liang Xiang a long time ago. Liang had an interview with our reporter in February 1985, giving an overall briefing on the development of the Shenzhen Special Economic Zone. At that time, Liang Xiang seemed proud and full of confidence. However, a few months later, Shenzhen experienced unprecedentedly strong influences.

As the state tightened control over the overheated economy and the import craze, Shenzhen's prosperous commerce, tourism, and catering industry were affected. In the wake of the Hainan Island incident, there were doubts about the continued existence of the special economic zone. Then, in September last year, Liang Xiang was appointed to the post of the city CPC Committee secretary and removed from the post of Shenzhen mayor, with former State Council Deputy Secretary General Li Hao taking his place. In the past few months, Shenzhen Special Economic Zone has stood the test, and Liang Xiang has also stood the test!

Our reporter requested an interview with Liang Xiang in early December 1985. But Shenzhen Special Economic Zone was then at a critical moment in determining its destiny. The 29 ministries and commissions under the central authorities held a special conference on the work concerning the special economic zones in late December, then followed a drive launched by Shenzhen City itself to readjust its work.... Liang Xiang had no time to spare for an interview with our reporter until 21 January this year. During the interview, Liang Xiang continued to show his confidence. But, when talking about outsiders' criticism of Shenzhen, he, as a man who had witnessed the "growth" of Shenzhen, could not help but complain about the lack of information on the part of these outsiders. From what he said one can feel his deep love for Shenzhen. His conversation with our reporter was as follows.

Dependence on the Hinterland Is an Old Idea Which Is To Be Emphasized in the Future

Zhang: Secretary Liang, the "conference on the work concerning the special economic zones" which closed on 5 January must have touched on many issues? What is this conference's decisive significance to Shenzhen Special Economic Zone?

Liang: The conference on the work concerning the special economic zones has laid down a guideline on development. However, it would be more appropriate if we talk about some questions in a month's time when the official documents are issued. The conference has closed, but the documents concerned are still subject to revision, approval by the departments concerned, and, finally, examination and ratification by the central authorities. By and large, the conference is very successful, and will surely be advantageous to the development of the special economic zone.

Zhang: It does not matter. Let us start with the guideline on development. The guideline on the future development of Shenzhen is "dependence on the hinterland, serving the four modernizations, keeping up with the development in Hong Kong and Macao, and marching on the world." Of this guideline, the idea of "dependence on the hinterland" seems to be a new one. Could you tell me how this idea was shaped?

Liang: We have had this idea all along. You just have not paid attention to it. How can we run the special economic zone without depending on the hinterland? We have strengthened our cooperation with other parts of the country since 1981 and we call it "holding hands with the hinterland."

Zhang: Really? Since 1981?

Liang: Oh yes, we put forth the idea in 1981, but now we are reiterating it more definitely: The special economic zones are the special economic zones of the whole country. The slogan, "The whole country supports the special economic zones, and the special economic zones serve the whole country," is a brief interpretation of this idea. Since the very beginning we have pointed out: The most obvious difference between the special economic zones run by China and those export processing zones established abroad is that we are relying on the socialist motherland and have strong economic forces as our powerful backing. Special zones run by capitalist countries are definitely not the same.

But, here we can integrate the advanced technology, industrial basis, and raw materials available in the hinterland. How could the special economic zones develop so rapidly without the support of the hinterland? Shenzhen was a small border town in the past. It is said that there were only five technicians in the town at that time. Therefore, the idea of dependence on the hinterland is merely an old idea which we have mentioned before, only it is going to be restated in more definite and concrete terms.

Zhang: Now that this old idea, which has been mentioned before is restated in more definite and concrete terms, does this not mean that the idea of "dependence on the hinterland" has failed to be implemented so smoothly as expected, and that some places do not support the special economic zone?

Liang: No. What you have mentioned indicates that outsiders are not well informed and mistakenly think of it as new development. Speculation and comments on our policies are nothing strange because everybody is concerned about the special economic zone. Speculation is inevitable, this is just normal.

Zhang: Being ill-informed is something that can hardly be avoided.

Liang: As a matter of fact, we, on our part, have failed to do a good job in publicizing our policies.

Zhang: But, from now on, the special economic zone's direction of development is to promote an export-oriented economy which takes industry as the key link and mainly depends on foreign capital. Then, under the slogan of "dependence on the hinterland," what ratio is to be maintained between "cooperation with establishments in the hinterland" and "introduction of foreign advanced technology"? Which is to retain a higher proportion and which is to retain a lower one?

Liang: We do not necessarily need to have a set proportion. It must be very flexible. While depending on foreign capital in the main, we do not mean that aid from the hinterland should be reduced. This will depend on the specific circumstances and specific projects. Why do we say that we depend on foreign capital in the main? Because the kernel idea of the establishment of the special economic zones is to draw in foreign capital; and, in promoting cooperation with establishments in the hinterland, we are aiming at increasing the special economic zone's attraction to foreign investors. To draw in foreign capital, we must prepare the necessary conditions. Otherwise, how can we expect others to cooperate with us? In brief, we must give full play to the favorable conditions of all three parties, but especially the special economic zone's own favorable conditions. The special economic zone's favorable conditions are that it has a relatively good environment for investment and convenient communication facilities, it adjoins Hong Kong, it has quick access to information, and it enjoys preferential treatments in terms of policy.

Zhang: Other open cities also enjoy preferential treatment in terms of policy. These are not the special economic zone's exclusive privileges.

Liang: But it makes a difference when the favorable conditions of the three parties are added together. For example, our city adjoins Hong Kong, hence our geographical conditions are different from those of other cities. Second, it is necessary to give full play to, and make use of the hinterland's favorable conditions, since the hinterland's technical force is pretty strong. Third, it is necessary to make use of foreign funds. Funds, technical force, and Shenzhen's geographical conditions, three aspects added together, will be a great advantage.



Several Special Economic Zones With Different Characteristics Play Different Roles

Zhang: There is no doubt that import of foreign funds needs some basic conditions. However, as we can see now, to support Shenzhen alone, the state has to make a tremendous investment. How can the state support so many special economic zones and open cities simultaneously?

Liang: It is true that the state has great capabilities. But, after all, we cannot rely on the state in everything. Just 1 percent or so is enough. For example, a few percent to support Xiamen, a few percent to support Zhuhai....

Zhang: Is there such unified planning and allotment?

Liang: No, there is no need. What we have to do is to find out which project is suitable for which places in accordance with the different conditions of different places. But we do practice unified planning regarding the number of projects to be run by each ministry or commission.

Zhang: You have worked out the thing in this way before?

Liang: Everything must be accomplished step by step. You cannot plan so many things perfectly all at once. You must sum up experience through practice and find out how to do it more reasonably. We have heard many opinions. A small number of people just sit and think in their offices, comparing our specific case with a single pattern they choose. Their way just will not work. They think that something will be up to their standards only if it fits their conventions. Everything develops step by step, and nobody can reach this goal in one move!

Zhang: How do the different special economic zones share out their work?

Liang: As far as this is concerned, the State Council has worked out in principle a plan on division of labor. There is a unified planning program to figure out which project fits which special economic zone.

Zhang: Let us go on with the export-oriented economy. What is the genuine definition of the export-oriented economy? State Councillor Gu Mu said that reported products must account for 60 percent. Am I right?

Liang: For the time being, we are not sure of the definition of the export-oriented economy. Anyway this is a topic to be discussed by academic circles. In brief, it means that after industrial enterprises are set up, the majority of their products must be exported and thus earn more foreign exchange for the state. As far as the percentage is concerned, there are different opinions. So far no criterion is available to figure out which percentage is too high and which is too low.

Zhang: But have you set any target? How high a target are you expecting to reach by 1988 and by 1990?

Liang: I believe such a target will be set. For the time being it does not seem possible to fix a definite figure, because there are a lot of changes in the objective circumstances....

Zhang: There must be some target to be aimed at!

Liang: This is a very complicated question. Generally speaking, all projects relating to import of technology which are submitted for approval are required to produce exported products. Whether these projects are to be run by foreign investors or by enterprises from other parts of the country, their approval depends on whether the technology involved is advanced and whether their products are mainly to be exported.

Every application is subject to careful examination. Those projects solely producing goods to be marketed at home and involving backward technology will not get approval.

Zhang: Do you mean that an enterprise, when handing in a project proposal for approval, must submit itself to a commitment in the form of contract that its products must be exported?

Liang: Principally you are right. Of course, subject to approval, part of those products which involve advanced technology and are cheap but in demand in the domestic market are allowed to be marketed in other parts of the country.

Zhang: Apart from the procedure of approval, are there any other measures to encourage export and discourage domestic marketing?

Liang: The other measures are mainly related to the taxation policy, say a longer tax exemption period.

#### Many Difficulties Are To Be Dealt With in the Effort To Step Up Import of Foreign Technology and Encourage Export

Zhang: It will certainly be advantageous to the state if the special economic zones' products can be exported and thus earn foreign exchange. However, from many foreign businessmen's point of view, they come to invest in China just because of the attraction of the Chinese market. Now that China does not allow them to sell their products in China's domestic market, will they not be disappointed?

Liang: This is an actual problem at present.

Zhang: Then how are you going to solve it?

Liang: Economic problems are not as simple as ABC. On the contrary, they are very complicated and involve many contradictions. Foreign capitalists surely wish to get access to the Chinese market, but, as I have just said, those products with reasonable prices which involve advanced technology and are in demand in the domestic market are allowed to be marketed in other parts of the country. We have put forth the policy of "exchanging market for technology," have we not? We are studying how to implement this policy.

Zhang: You mean to carry out the policy of "exchanging market for technology" toward foreign countries?

Liang: Yes, this is one of the solutions. On the other hand, we may also purchase technology or patent and then produce the goods on our own. We are doing this in some projects. There are many different cases with different solutions.

Zhang: How about the current structure of imported foreign capital? It was reported last year that most funds available were drawn from Hong Kong, most projects were small-scale, and most projects involved ordinary technology, while the number of foreign businessmen coming to open talks on investment projects decreased. Is this still the case?

Liang: We made great progress in drawing in foreign capital last year. Both the numbers of big projects and big consortia to run investment projects increased, and the situation was quite satisfactory. As for the report that most funds available were drawn from Hong Kong, I think one should not evaluate the achievements by simply considering the proportion of Hong Kong funds. You cannot deny that funds from Hong Kong are funds from the outside, can you? In fact, many Hong Kong companies are backed up by foreign consortia.

Moreover, some transnational corporations have also come to invest in Shenzhen. We just are not sure which are Hong Kong funds and which are foreign funds. Therefore, the remark that most funds available are drawn from Hong Kong is not so reasonable. Actually many foreigners set up companies in Hong Kong before investing in China. Many reporters asked me this question, I just answered that I was not sure, because a great deal of Hong Kong funds are from abroad.

Zhang: You, yourself, are not sure about this?

Liang: No. As for the question about the size of the projects, it is true that most projects are of medium and small scale. This is a phenomenon common to special zones abroad. There are only a few large projects, while most are medium and small size. This is because medium- and small-sized projects can display a great flexibility and can readily keep up with changes in the market. An excessively big project may mean lower efficiency! Most plants in Hong Kong are small, each plant has only 20 workers on the average. There are also many small plants in the United States as well. The crux of the problem does not lie in the size but in technology.

The Special Economic Zone Is Also Affected by the Nationwide Macroeconomic Control Which Is Under Way

Zhang: Apart from industrial development, how are things with trade?

Liang: We are now studying what structure would suit the development of the export-oriented economy. To be more precise, the state has drawn up the "Seventh 5-Year Plan," and we are working out a suitable structure in accordance with the guideline provided by the plan and in light of the local conditions in the special economic zone.

Zhang: The reason I ask about the development of trade is because some people have criticized Shenzhen before, saying that Shenzhen has devoted a lot of effort to developing trade and tourism but has overlooked industry, therefore now it is forced to put forth in definite terms the principle of taking industry first. Moreover, our country began to take many measures to cut down expenses last year, for example, the decision-making power on import and export has been curtailed and therefore, foreign trade has been affected. Did this change have an impact on Shenzhen's trade development?

Liang: I believe that Shenzhen's economic development has been comparatively harmonious in the past few years. Some criticisms on the special economic zone are due to lack of information. In my opinion, Shenzhen has just made a start in every aspect, in tourism, commerce, foreign trade, or other fields. It is not a matter of the degree of development. After all we have just made a beginning!

Zhang: But the question concerning the proportion between different sectors does exist.

Liang: Yes, every sector needs to develop and to coordinate with others. This is a more comprehensive point of view. Some people said we had paid attention to tertiary industry but overlooked secondary industry. This is not true. Everything develops along a certain course. The history of Shenzhen Special Economic Zone is very short, only 5 to 6 years. It is still immature. Is it realistic to expect a 6-year-old child to run very fast? It is just impossible! In the initial period of the construction of the special economic zone, our main task is to prepare a good environment for investment. Now that both the investment environment and the conditions for industrial development are available, we are to appropriately readjust the production structure and vigorously develop industry during the period of the "Seventh 5-Year Plan."



Other sectors, such as tourism and trade, also have to develop accordingly. We do not mean to ignore one aspect while concentrating our attention on another.

As for the state's strengthening macroeconomic control, of course this has affected the special economic zone somewhat. As the whole country is engaging in the effort to bring the flow of funds under control, cut down money supply, and promote foreign trade, the special economic zone of course must follow suit. But the impact is moderate, the state has after all taken the situation in the special economic zone into consideration and has given preferential treatment. I am confident that the situation will be better this year, the door will be open wider, the policies will be more clearly defined, and the special economic zone will enjoy more preferential treatment. Although Shenzhen Special Economic Zone encountered tremendous difficulties last year, the economy as a whole developed very rapidly. For example, industry....

Zheng: The gross industrial output value amounted to 2.5 billion yuan.

Liang: Yes. Although Shenzhen Special Economic Zone encountered many difficulties in its construction last year, all difficulties were overcome and great success was achieved due to the support by the central authorities and the province, as well as the concerted efforts by cadres and the masses. The gross industrial output value totaled 2.5 billion yuan, an increase of 48 percent over 1984; the national income totaled 2.5 billion yuan, and increase of 23 percent; the total value of retail sales of commodities amounted to 2.3 billion yuan, an increase of 12 percent; and the financial revenue totaled 2.3 billion yuan, an increase of 12 percent; and the financial revenue totaled 860 million yuan, an increase of 59 percent. The development displayed three characteristics: First, the industrial structure has been gradually rationalized, the proportion of exported products has been raised, exported products and those used to substitute imported products accounted for 57 percent of all the products, an increase of 9.5 percent; second, import of foreign funds was progressing smoothly, the amount of invested funds totaled more than \$270 million, an increase of 46 percent, and the number of key projects and those involving advanced technology also increased as compared with 1984; third, the economic results have been improved, the amount of tax payment due to industry totaled more than 260 million, an increase of 52 percent, implying a synchronous growth of output value and tax payment.

The special economic zone underwent severe tests and faced many criticisms last year. In my opinion, however, these are natural things in the course of a reform. If one does not dare take any action after hearing irresponsible criticisms, one will achieve nothing. So, we had better follow the state's policies and the central authorities' directives, do more actual work, and avoid indulging in idle talk. Practice will prove everything. The conclusion, favorable or unfavorable, can be made later. No work is completely free from shortcomings. How can one never make mistakes? A great cause like ours will inevitably encounter many difficulties and obstacles, and we should not be afraid of them. We are now in the Year of the Tiger, and all of us must be full of confidence and stride forward as boldly as a tiger does!

Zhang: Some people have said: The special economic zone was initiated by the state, and the state just laid down the policy while granting no funds. So, to pay back all the loans as soon as possible, the special economic zone is forced to develop commerce and landed properties which are more profitable. As a result, industry which needs long-term investment cannot develop. Do you agree with this analysis?

Liang: According to my practice rather than analysis, this is not the case. Things always develop along a certain course. In the case of Shenzhen Special Economic Zone, do you believe it is possible for us to develop industry first? Can we build plants in paddy fields which have not been leveled yet and where there are no electricity, water supply, and telephones? We have been quite clear about what is to be done in which year, we are not acting recklessly. We first drew up a development plan, then we selected a site to start development. We started with construction of infrastructure. Plants can only be built after a good environment for investment is available. This is a very simple rule. To build plants we need to accumulate funds, therefore we launched some projects to promote tourism and build up some residential buildings and shopping arcades.

Zhang: Observers in Hong Kong are probably not well informed of the development in the special economic zone. But some people from the central authorities have also criticized the special economic zone for failing to attach importance to industrial development.

Liang: I have never heard any comrades in the central leadership criticizing the special economic zone for this. To be sure, there have been different criticisms. Obviously you are ill-informed if you just visit Shenzhen once, and then compare Shenzhen with Shanghai and Guangzhou and ask why there are so few industrial enterprises in Shenzhen.

Zhang: Well, you went to Beijing in December last year to give detailed reports on the development of Shenzhen, are they better informed of the situation after that?

Liang: They should be better informed. In fact my trip helped to clear a lot of doubts.

Zhang: You have just said that the state has given especially preferential treatment to the special economic zone, could you cite some specific measures that have been taken?

Liang: As far as fund allocation is concerned, the special economic zone has been given preferential treatment regarding credit quotas, although money has been tightened up throughout the country and fewer loans are being given. We have also been given preferential treatment regarding foreign exchange control and foreign trade quotas.

Liang Xiang Thinks Gu Mu Had a Reason for Criticizing Shenzhen

Zhang: When state Councillor Gu Mu said that Shenzhen Special Economic Zone had promoted its program on too large a scale, what did he mean in specific terms?

Liang: He said the scale of capital construction was a little too large. I agree he had reasons for saying so. Well, what should I say? On the one hand, the state is strengthening macroeconomic control, tightening up money, and reducing the scale of capital construction nationwide; on the other hand, the current situation requires us to advance more steadily with the aim of consolidation, digestion, and improvement of the achieved results, and then seek further development and advance wave upon wave. The process is like the long jump, you have to retreat a little bit so that you can jump further. Therefore, we are better to exert a moderate control over the scale of capital construction in Shenzhen rather than expand it abruptly.

But, to prepare a good environment for investment in Shenzhen, our supporting facilities are still not complete and need to be further improved. We must devote more effort to strengthening communications, energy supply, and telecommunications.

Zhang: Then it is true that the state did cut down investment in capital construction last year?

Liang: It was not investment but credit. As soon as you mention investment, some people would say this is a "blood transfusion" to Shenzhen!

Zhang: Were any capital construction projects suspended because of cutting down of credit?

Liang: No. You can visit construction sites everywhere in person and have a look. No construction projects have been suspended. To be sure, the scale of capital construction must be kept under control, but so far no capital construction projects have been suspended.

There Is a Change in Retention of Foreign Exchange and Illegal Purchase and Resale of Foreign Exchange Have Been Basically Kept Under Control

Zhang: Is it true that there is some change in the proportion of foreign exchange retention?

Liang: No, we are still practicing the system of contracting for financial revenue quota. The only change in the procedure of profit retention is: If a product is imported from the hinterland to Shenzhen for processing and packing and its value increases by over 30 percent afterward, then this product will be counted as a product of the special economic zone. In such a case, 75 percent of the revenue in foreign exchange arising from this product will be kept by the special economic zone. Otherwise, the ratio will be reversed, that is to say, 75 percent of the foreign exchange revenue arising from the products will be turned over to the state. In the past, the foreign exchange revenue arising from products imported into Shenzhen for processing was all kept by the special economic zone. Now this practice has been changed. This is because some enterprises jointly run by Shenzhen and hinterland enterprises used to evade turning over foreign exchange revenue to the state by importing their products into the special economic zone and making some minor changes without adding value to the products. This did not affect the special economic zone very much since products like these were few; and, strictly speaking, these enterprises were taking advantage of the state in doing so.

Zhang: But, after all, foreign exchange remains a major issue. Imagine what will happen if a foreign businessman coming to invest in China finds no way to exchange his earnings for foreign currency....

Liang: We are still practicing the method of "not settling foreign currency account" [bu jie hui 0008 4814 0565], the three types of enterprises (namely, those run by foreign businessmen, joint ventures run with Chinese and foreign capital, and those run in a cooperative form) are still practicing the old method.

Zhang: It is reported that the illegal purchase and resale of foreign exchange in the black market have been brought under control. Has it?

Liang: Illegal purchase and resale will exist all the time, it will exist even after 100 years, and the complete elimination of these kinds of activities is impossible. Just like smuggling which exists everywhere in the world, these activities will continue to exist so long as the price difference exists. But I would like to make one thing, clear; that is, now we have already basically brought large-scale illegal purchase and resale of foreign exchange involving enterprises under control. However, small-scale and individual illegal purchase and resale of foreign exchange will continue to exist for a certain period, and you may come across someone in the street asking: "Do you have Hong Kong dollars?" These are illegal activities which are strictly banned.



Zhang: Apart from illegal purchase and resale of foreign exchange, we have seen various forms of Hong Kong-type "spiritual pollution" in Shenzhen. Do they still exist? For example, some people planned to build a race course in Shenzhen. Will they be allowed to build?

Liang: Shenzhen's standard of spiritual civilization is, after all, fairly high. Many people visiting here admitted that the general social mood and public security are pretty good here. Young people are eager to learn, and many people are studying in classes and correspondence universities. As for gambling, it is only an accidental phenomenon. That casino set up in Shenzhen Bay Hotel only existed for 10 days. That was a problem involving an individual unit and, moreover, we dealt with the problem as soon as it was exposed. But some people are still obstinately quibbling over this case as if something very serious had happened in Shenzhen. In fact it was only a minor matter.

Zhang: Is Shenzhen seriously influenced by Hong Kong?

Liang: Generally speaking, the influence is slight. People going to discos and singers swaying on the stage, these are nothing surprising and we do not have to bother about them. In Shenzhen there will be no red light districts and no casinos. The government's attitude is firm on this. All these pollutants are not allowed to exist in Shenzhen.

Zhang: Then, are there especially frequent economic criminal activities in Shenzhen? It seems especially easy to take advantage of loopholes in Shenzhen.

Liang: Not necessarily. Now that the whole country is implementing the policy of opening up and engaging in the reform, the administrative system will take the time to become perfect, and we are in a process in which the new economic administrative structure is replacing the old one, bad people can easily take advantage of loopholes everywhere, and Shenzhen is not an exception.

Zhang: Do you not think that there are more opportunities in Shenzhen than elsewhere? Many high-ranking cadres' children are doing business in Shenzhen. There is much coverage of this in Hong Kong.

By the way, newspapers reported that Chairman Deng Xiaoping came to Shenzhen to attend the conference on the work concerning the special economic zones. Is this true?

The Reports Were Inaccurate and Liang Xiang Did Not Meet Deng Xiaoping

Liang: A reporter asked me this question 2 days ago. I told him I did not see Chairman Deng Xiaoping and I was not sure whether he had arrived in Shenzhen. Some people asked me whether I had given him a briefing -- how could I give him a briefing without meeting him?

Zhang: But this was a news item filed by some news agencies.

Liang: Then they may have made a mistake.

Zhang: Then Chairman Deng really did not come to Shenzhen?

Liang: I said I did not see him, I did not see him even at the conference on the work concerning the special economic zones. Reports abroad are not necessarily accurate.

Zhang: Inaccuracy is caused by a lack of information. Non-Chinese press cannot easily confirm their news reports here!

Liang: At least, their reports should be properly based.

Zhang: People say you are a member of the reform faction. That Shenzhen can continue to open its door is your victory.

Liang: For one thing, there are no factions. For another, I am not a member of the reform faction.

Zhang: There are no disputes over the opening policy and the conservative policy?

Liang: Sometimes there are different opinions on some work. This is nothing strange but a normal phenomenon. But there are no rival factions. People outside China always divide Chinese into factions. This indicates that they do not know the situation in China very well.

Zhang: People outside China have some basis for this point. Last year, Deng Xiaoping said: The establishment of the special economic zones is an experiment which may succeed or fail. It seemed that he had somewhat lost his confidence. At the very beginning he had fully affirmed the achievements made by the special economic zone. So people outside China wonder if Deng Xiaoping has been faced with pressure.

Emphasizing That There Are No Factions and the Opening and Reform Policy Will Be Upheld

Liang: Different statements are made under different circumstances and on different occasions. Comrade Deng Xiaoping made that statement before foreign guests who had just visited Shenzhen and kept on praising the special economic zone. The special economic zones were set up based on Comrade Deng Xiaoping's suggestion and the CPC Central Committee's decision. Anyway, he could not say: Yes, Shenzhen Special Economic Zone is good indeed. So he had to answer in a modest manner. In fact, he has been appreciating the achievements of Shenzhen Special Economic Zone all along. Last year, Shenzhen achieved tremendous success in economic construction, building of spiritual civilization, and party rectification. The opening policy and the reform are our long-term and steadfast national policies.

Zhang: Everybody hopes so. Thank you for granting me the interview.

Liang: I have been very frank. I hope you do not mind.

Zhang: It does not matter. I like to be frank. I have also been very frank, I'm afraid. Good-bye!

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